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THE EUROPEAN JOURNAL

The Journal of the European Foundation



Michael Gove
Britain and Europe under Blair
&
Prof. Paul Ormerod, Michael Colvin, MP, Vàclav Klaus and Prof. Deepak Lal
&
The 'New' Deal: Tory MEPs and the EPP

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Contents

For reference, numbers on pages are as in the printed copy Articles below are hyperlinked – use the hand icon, point and click	Original Page	PDF Page.
Editorial *Bill Cash, MP*	2	3
A European Army? *Michael Colvin, MP*	3	4
Britain and Europe under Blair *Michael Gove*	5	6
A Currency for Jobs? *Professor Paul Ormerod*	7	8
Conservative MEPs and the European People's Party: Time for Divorce *Jonathan Collett & Martin Ball*	10	11
Poll Data: Analysis of the European Elections *Tony Lodge*	14	15
EMU and Globalisation *Professor Deepak Lal*	16	17
EMU: The Czech Perspective *Professor Vàclav Klaus*	19	20
Will Europe Work by David Smith *Reviewed by Charlie Methven*	20	21
Conservative MEPs and the European People's Party: Time for Divorce by Jonathan Collett & Martin Ball *Reviewed by Allan Lloyd*	21	22
The UK and the Euro – Better out than in? by Graeme Leach *Reviewed by Russell Lewis*	22	23
Eurowatch *Lynette Swift*	23	24
The Rule of Law *David Radlett*	24	25
The Cologne Summit	26	27

Editor: Tony Lodge

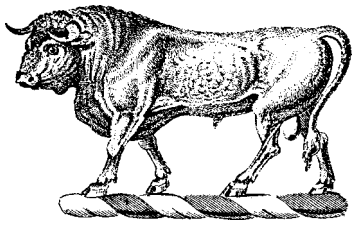
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The Next Steps – After the European Elections

In my last Editorial I urged readers to vote Conservative in the European elections because the Conservatives had the most Euro-realist policies. The Conservative Party scored a notable success for which William Hague deserves great credit, although personally I would have ruled out the single currency for good.

However, as I also indicated, we now have to build on this success. It was no accident that UKIP gained three seats and 8% of the poll. Many who voted UKIP could well have voted Conservative had our message had more muscle: i.e., single market, yes, but never to the single currency.

The *Daily Telegraph* Gallup poll published on 3rd July reinforces the case I have been urging for years. It asked, "If a referendum were held, how would you vote?" 66% are against joining (and please note that the question did not say "now"), which is 10% up on the last six months. However, only 27% said that they would vote Conservative in a General Election now.

This paradox is at the very centre of gravity of British politics and cannot remain unresolved, given the fact that the issue on both questions is about who governs Britain and the very nature of our democracy.

There is a rational explanation, which is that voters do not see the connection between the European issue and the domestic agenda any more now than they did at the last General Election, which was intimately bound up with the disaster they experienced with the ERM. This hit their confidence in the Government's domestic economic competence which was never explained as being connected with the European issue as such (although some of us strenuously argued that it was), but the political establishment with its propaganda machine would not come clean.

The situation remains the same but is now even more acute because, thanks to the Maastricht Treaty, the weak euro with all its problems is now up and running, not to mention the collapse of the Commission and myriad other disastrous European policies familiar to readers of the *Journal.*

The connection between the European issue and the domestic agenda must be spelt out now. No political party has been prepared to do this for decades, neither on the constitutional nor on the economic front.

In recent months I have repeatedly called on Tony Blair in the House to explain the constitutional connection in a White Paper, as readers know, but he has adamantly and publicly refused to do so.

On the economic front we see from Anthony King's articles in the *Daily Telegraph* on 3rd July which accompanied the Gallup poll that Labour supporters are now turning against the euro, even as the Conservative Party remains marooned at 27%. Traditional Labour voters are becoming increasingly disenchanted, as we know from the local government, European and other recent elections but have not shifted when it comes to questions related to a General Election. Much of this disenchantment, for example in relation to classroom sizes, hospital waiting lists and local government expenditure, comes from the constraints on public expenditure caused by Gordon Brown's shadowing of the Maastricht criteria but which is unexplained by any political party.

The Conservative Party could gain great electoral advantage if they explained this but they do not. If they repudiated the Maastricht Treaty as they have the ERM, they could then reveal and exploit the connection and return real choice to the voters but without opening the floodgates of unnecessary public expenditure.

All of this requires a continuous open public debate with fully explained information. The debate held by the Foundation on 15th July is an example of how this should be done and is an object lesson to the media (including particularly the BBC) by providing a live platform with cross examination between the protagonists. A video of the debate is being produced.

Although the European Foundation does not remotely share his views, all credit to Lord (David) Simon for insisting on just such a public debate, as revealed in *Sunday Business* on 4th July. Greg Dyke, Editor in Chief – take note!

Bill Cash, July 1999

A European Army?

by Michael Colvin, MP

The Anglo–French St Malo Declaration of December 1998 said in paragraph one that it will be important to achieve full and rapid implementation of the Amsterdam provisions on Common Foreign and Security Polity (CFSP). This means framing a common defence policy so that the European Union can have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them and a readiness to do so, in order to respond to international crises.

The Declaration reiterated member states' commitment to the mutual security obligation in Article 5 of the Washington Treaty and Article V of the Brussels Treaty, but this was easier to do when NATO and the Western European Union (WEU) nations within it were restrictive to defensive operations.

The experiences of first Bosnia, and now Kosovo, show how difficult it is to get agreement among member states when offensive action may be required *vis-à-vis* the deployment of ground forces in Kosovo. Perhaps more significantly, Alliance disagreements over Operation Desert Fox in Iraq earlier this year revealed the gap between a number of the European allies, on the one hand, and Britain and America on the other.

That said, the Declaration went on to stress the need for strengthened armed forces that can react rapidly to the new risks, and which are supported by a strong and competitive European defence industry.

We would all agree with much of this but is there a danger that, just as the Common Market in time became the Single Market, which some Continental leaders would like to see become a single state, so too a common foreign and security policy may well become a single common foreign and security policy with the single means to implement it, i.e. a European army?

Shortly after St Malo, at the press conference following the Portschach European Union summit in Austria, the Prime Minister said that the CFSP was overdue – "… it is high time we got on with trying to engage with formulating it and I think that people were pleased that Britain came to this with an open mind and was willing to participate in the debate." If that debate became nationwide, as it should, then I think the British people will say "No".

Likely allies for Britain in rejecting it are the European countries with neutral status – Ireland, Denmark, Austria, Sweden and Finland.

What our Secretary of State, Mr George Robertson, said to the WEU Assembly on 1st December was that the Europeans could play a fuller role in contributing to our joint security but what, he asked, does this means in practice.

The debate about whether European forces are primarily for NATO operations or for European operations is a false one

The Government's aim is quite simple. It is to enable the European Union to have a more united and influential voice, articulated with greater speed and coherence through the CFSP and backed up, when the need arises, with effective and prompt military action.

Now, before the Amsterdam Treaty can begin to strengthen the CFSP – which doesn't yet exist – we need to clarify the defence aspects of CFSP and the role of the WEU in providing the EU with access to an operational capacity.

Mr Robertson acknowledged that the time had come for some fresh thinking on the future direction of European defence. He was not for removing defence from the control of national governments and national parliaments. What he was seeking was the need for the European Union to enhance its ability to act. He also admitted that the European allies within NATO, with more than 60% of the population of the Alliance, and almost two thirds of the allies' armed forces personnel, provide only 40% of the total defence spending (US – $270 billion; Europe $170 billion). He admitted that the key military aspects required for the demanding peace support operation that we currently face and may well face in the future – in particular air assets – are overwhelmingly American.

The debate about whether European forces are primarily for NATO operations or for European operations is a false one. We know that by strengthening Europe's military contributions, we can provide effective underpinning for our foreign and security policy, which must remain based on a North Atlantic charter.

Shortly after the Secretary of State for Defence made his speech, I was the only delegate present to vote against 'TIME FOR DEFENCE: A PLAN FOR ACTION' proposed by the Assembly of the WEU, to be considered later by the Council of Ministers. The most common word running through the document was 'integration'. While the plan acknowledged the weakness shown by European countries as a result of their governments' having to depend on the security guarantees provided by the United States through NATO, it did not point out that it would require a reconsideration of the current policies advocated by the Finance Ministers of the member states to increase their defence budgets – just as has now recently happened in the United States of America.

At the Madrid Summit in 1997, NATO leaders reaffirmed the concept of a European Security and Defence Identity (ESDI) under Article V of the Maastricht Treaty and also the establishment of Combined Joint Task Forces which the Western Europeans could deploy, using NATO assets. I was surprised that further rules for this did not emerge from the NATO summit in Washington in April. The CJTF concept may well be theoretically brilliant but may also prove a nightmare in practice.

Our European Union partners, and Sr Prodi, the new Commission President in particular, must not try to force the pace. There are many more important things to do than draw up blueprints for a European Army. Fortunately, the Government still appears to be resisting the gradual integration of the WEU into the European Union but I have yet to hear from a European Union political leader who does not favour 'the Union becoming an autonomous instrument for European security and defence with a political decision making capacity and its own military capability'. That is what the WEU 'Plan for Action' calls for over a period of time.

In the immediate future, most WEU members want to establish the basis for a procedure that would:

first, give the European Council a real military operational capability by transferring to it WEU's decision making and command capability;

secondly, set in train the process for the legal and institutional adjustments necessary for the European Union to take action in the field of crisis management;

thirdly, set a schedule for the gradual integration of the WEU into the EU;

and, fourthly, provide the new EU bodies with the possibility of using NATO resources.

In the medium term, the WEU members should take integration forward as a consensus emerges to transfer the various WEU areas of competence and institutions to the EU and as the CFSP takes shape.

In the longer term, the members should achieve a common defence structure and a European defence within the European Union, with corresponding links between the EU and NATO. Non-NATO EU members are currently only observers of WEU.

I set out those objectives and time frame intentionally because it sent cold shudders down my back, which is why I voted against it. I was the only British Conservative at the meeting in Paris but I was surprised to see my Labour colleagues – most of them 'old' Labour – went along with it.

There are three other areas in which the WEU might have a credible security role.

The first is to undertake military and other operations in the fields of humanitarian and disaster relief, peace keeping and other crisis management tasks (the so-called Petersburg tasks) and it has already conducted some operations such as mine clearing following the Gulf War.

My view is that it is a better organisation to do these tasks than the OSCE which was originally established in 1975 as a council in order to undermine the Warsaw Pact countries – something it achieved, but now surely it has outlived its usefulness.

There is another development on the defence front that cannot wait while the politicians debate the CFSP or the ESDI and that is the future of our defence industries where the situation is changing daily and at an ever increasing rate.

Over the last decade, our European defence industries have been influenced by three broad trends. First, our defence budgets have been cut by around one third in real terms. Secondly, while the volume of global arms trade has shrunk, the 'de-frosting' of international relations has made arms markets hugely more competitive. And, thirdly, defence inflation continues to run ahead of average inflation, particularly as defence equipment becomes increasingly complex, and the digitalisation of military equipment, commonly known as the Revolution in Military Affairs (RMA), continues.

In the face of the restructuring of the American defence industrial base, the Europeans must continue to get their act together without creating a 'fortress Europe' and, to this end, we need privatisation across the board and, particularly, in France. Once international mergers take place, it is then vital to ensure 'security of supply'.

The 'two-way street' of defence sales and procurement across the Atlantic is still, unfortunately, unbalanced – six to one in America's favour. Furthermore, American spending on Research and Development remains treble Europe's. Everything should be done to try to restore that balance, but we will stand a far better chance of doing so if our European industries, united through commercial mergers, provide the critical mass necessary to maintain a leading technological edge at low unit cost. If we don't muster the political and commercial courage to achieve that, we will have no alternative but to buy American.

The third task is the establishment of a European paramilitary police force, possibly under the WEU, available for peacekeeping operations. Britain has always shied away from such an organisation, but there might now be a need for such an international body.

If my constituents were anything to go by, it was very difficult to excite them over the elections to the European Parliament on June 10th. Academic and economic debates about the euro only interest a few, but touch on the issue of national sovereignty and the public debate comes to life. At present, sovereignty – i.e. the right of a nation to have control over its own affairs – is linked to the debate about EMU; we should extend it to include national security and leave the European army where it is now – on the drawing board!

Michael Colvin is Conservative MP for Romsey and was Chairman of the Commons Defence Select Committee 1995–97.

… news in brief

Dutch-German "euro-region" operational

Around Germany's borders various "Euro-regions" have been created – usually in parts of Europe formerly claimed by the Reich. Thanks to the "Euro-region Rhine-Waal", which includes parts of the Netherlands, Dutch nationals will henceforth be able to visit German doctors in Germany. This will reduce waiting times for Dutch people but it will also allow Germany to cash in a tidy DM 1 million from EU sources in subsidies – not to mention the doctors' fees themselves. [*Handelsblatt,* 16th June 1999]

Dispute between Schröder and Prodi

The German Chancellor has flatly turned down requests from the opposition CDU/CSU to appoint a Commissioner from their ranks. "We had to wait for thirteen years without one," he grumbled, referring to the fact that the previous administration had not appointed a Commissioner from the SPD. But the argument is deeper than an inner-German one. It is suspected in Brussels that Romano Prodi, who has implied that he would like to see a CDU Commissioner, does not want the German government's candidate, Günter Verheugen, currently State Secretary in the Foreign Ministry, to become a Commissioner. This is because he does not want the Germans to bag the portfolio of EU enlargement which Mr Schöder wants Mr Verheugen to have. It is said that Mr Prodi would prefer to avoid allowing Commissioners to run policies which could lead to conflicts of interest and that he wants to reverse the old policy whereby Commissioners had portfolios which reflected their native countries' interests. In the Santer Commission, a Spaniard was responsible for Latin America and a Briton for the USA. [*Süddeutsche Zeitung*, 28th June 1999]

ECB wants more power

Wim Duisenberg, the president of the European Central Bank, has said he wants more power to regulate Europe's financial markets. "We need a greater centralisation of work in the European Union," he said. "I have always been of the view that central banks should regulate the financial markets." This view dovetails with EU's desire to create a "single market for financial services". Single market, of course, means single regulatory authority. [*Argumentaire européen,* 2nd June 1999]

Britain and Europe under Blair

by Michael Gove



The louder he talked of honour, the faster we counted our spoons. The more passionately a politician makes the "patriotic case" for a policy, the more certain that it will erode our sovereignty. At Chatham House, in April 1995, Tony Blair made his first foreign policy speech as Labour leader.

He expressed his hope that Britain would become "a major global player". He invoked the name of Henry Kissinger, the pre-eminent diplomatic advocate of the independent nation state. He genuflected before the memory of Viscount Palmerston, the icon of swaggering British puissance. And, inevitably, he declared he was making "the patriotic case".

For what? For the abandonment of the British veto. Four declarations of independence were made. And four surrenders of sovereignty were offered to the EU – on social, environmental, industrial and regional policy. What, it might be argued, is there left for ministers to do if they yield the power to make policy in these massive areas? Make speeches about patriotism, perhaps.

Tony Blair made his Chatham House speech while still in opposition, while still subject to a general election and while guided by the caution that opposition enjoins on any wise politician. That he was prepared to sacrifice so much power, before he even enjoyed power, is an index of the man's intentions.

The measure of his guile is the way in which New Labour were able to distract attention from these intentions with a pledge not to give up the pound. Yet.

A single article in the *Sun* professing a love for the pound, and a single bulldog in a party election broadcast, provided the patriotic colouring for the 1997 campaign. Mr Blair was happy to wrap himself in the flag, the banner to hide his intention of going naked into the EU council chamber.

For since the 1997 election campaign it has become progressively clearer that the Prime Minister is determined to take Britain into a federal Europe. He may prefer to pick leaves rather than break branches, but the oak under which Britons have sheltered our parliamentary system is being stripped bare.

Shortly after taking power, Tony Blair used the Amsterdam conference, designed to review the pace of integration, to argue for a quickening of the pace. He sought to extend majority voting, the weakening of the British veto in several areas only to encounter resistance from, of all corners, Helmut Kohl. It is given to few to outdo the former German Chancellor in their federalism. But that distinction, a distinction without honour, goes to Tony Blair.

Since Amsterdam, the Prime Minister has not so much grabbed opportunities to diminish Britain's independence as conjured them out of the air. At St Malo, Mr Blair forged a pact on defence co-operation with the French designed to allow for the evolution of a single European defence force. We already enjoy all the co-operation we require with our allies through Nato. But the model of intergovernmental co-operation, the model which is a precondition of states' preserving their ability to act independently, is deemed inadequate.

It cannot be inadequate in operational terms because Nato has, since St Malo, fought and won a war during which cohesion was tested but survived. Setting aside the merits of the war against Yugoslavia, it was proof that Nato's structures can bind allies together for the duration of a war. Nato is, however, inadequate in political terms for those who wish to advance the federalist agenda. The presence of the USA, Canada and Turkey prevents it becoming an engine for further political integration.

The integrationist project depends on the assertion that governmental functions are

always more efficiently carried out at a supra-national level. Once that efficiency argument is won, then the authority argument is made. Political power has to be transferred to the supra-national level. For integrationists, a matter as important as defence could not be left to inter-governmental co-operation. Those who have earned credibility by managing such co-operation must expend it on advancing integration. The Nato Secretary General, Javier Solana, was appointed with Mr Blair's blessing to the position of EU 'enforcer' on foreign and security policy, as an explicit political signal that greater importance attaches to the EU acting as one than to Nato preserving its unique position.

The agreement between France and Britain, the EU's two most significant military powers, is a parallel to the understanding between France and Germany, the two most powerful economies. Each uses its strength to bind itself into yet tighter integration.

Mr Blair has needed to tie himself so tightly in areas such as defence, and the abandonment of the veto, because he is himself constrained on the most important question of all – the single currency.

The result of the European elections has confirmed what every opinion poll suggests – solid opposition to the euro from a majority of voters. Mr Blair, frustrated in his desire to enter, must find other ways of affirming his fervour for integration, lest his allies lose faith. So every other institutional concession is freely given.

Because the single currency is the most important engine of integration, and because Mr Blair has declined so far to campaign for entry, some are inclined to believe that he is a pragmatist, inclined only to accept integration in certain areas without being sold on the whole project.

Mr Blair is aware that there is room for ambiguity in his current stance. Which is why he told the audience when he accepted the Charlemagne prize that it was his ambition to end the ambiguity in Britain's relationship with Europe. Mr Blair wants Europe to know that he's an enthusiast, while hoping that Europe will make life easier for him by introducing the economic reforms necessary to bolster the single currency's strength and apparent attractiveness.

The Prime Minister's spokesman has contrived to maintain some ambiguity in the eyes of the press about his master's stance by declaring it to be "pragmatic". But Mr Blair keeps funny company for a pragmatist.

His decision to speak at the launch of 'Britain in Europe' allied him with men who believe that membership of the single currency now is "in the national interest". Britain in Europe exists to "convince" the British people to join.

Mr Blair has done more than lend Britain in Europe his name. He has lent it the services of his favourite spin-doctor, Peter Mandelson, his favourite pollster, Philip Gould, his favourite press baron, Clive Hollick, and his favourite industrialist, Lord Marshall. If he did not intend to win this fight, why commit his best troops when there are so many other battles begging for bonnie fechters?

Mr Blair wishes to join the single currency because, as he declared when Britain assumed the EU presidency last year, he wants to lead in Europe. Just as he used, indeed discarded, what we used to know as the Labour Party to become Prime Minister, so he will use, indeed discard, what we used to cherish as our national independence to become Europe's leader. It falls to us to provide the check to such wilful, dangerous hubris.

Michael Gove is a columnist at The Times.

… news in brief

"Countryside alliance" gains strength in France

Following its success at the European elections (6.77%, or 6 seats in the European Parliament) the Eurosceptic rural movement, *Chasse, Pêche, Nature et Traditions* has decided to transform itself into a proper political party to defend the values of the French countryside. The group's leader said, "You must not think we are going to disappear after the European elections. People will have to reckon with us at future elections." Jean Saint-Josse insisted that his party would broaden its message beyond the pro-hunting policies on which it has campaigned (against Europe) until now. "Hunting is just one element in a much broader problem, that of the future of the countryside. It is an illustration of what we do not want from Europe," he said.

Although 80% of the France is rural only 20% of the population lives there. In this context, CNPT has made spectacular progress, winning seats in local and cantonal elections. The party is against "a countryside which is being emptied, businesses which are closing, public services which are leaving us, schools moving away." [*Le Monde*, 1st July 1999]

Taxis on the fiddle in Strasbourg

Questions are being raised about the taxi firm which has been hired to drive MEPs around. There are suspicions about the manner in which the contract was put out to tender because it was given to one big company while a smaller one offering a better rate was turned down. Furthermore, the cars used are normal cars even though they continue to benefit from the tax breaks accorded to taxis. 31 drivers from this company are currently under investigation for financial irregularity. [*Argumentaire européen,* 10th June 1999]

Italy has difficulty controlling deficit

Italy's difficulties fulfilling the EMU criteria on budget deficits are continuing. Although it reckons with a tiny upturn in the economy (0.9% increase in GDP this year) the Italian industry federation Cofindustria says that the country has little chance of fulfilling the budget deficit targets it has agreed with the European Commission – 1.5% in 2000 and 1% in 2001. The likely figures are instead 2.1% in 2000 and 2% in 2001. This is the background to Mr Prodi's apparently misreported remark that Italy might not remain inside EMU for ever. [*Handelsblatt*, 27th June 1999]

Minority languages charter in trouble in France

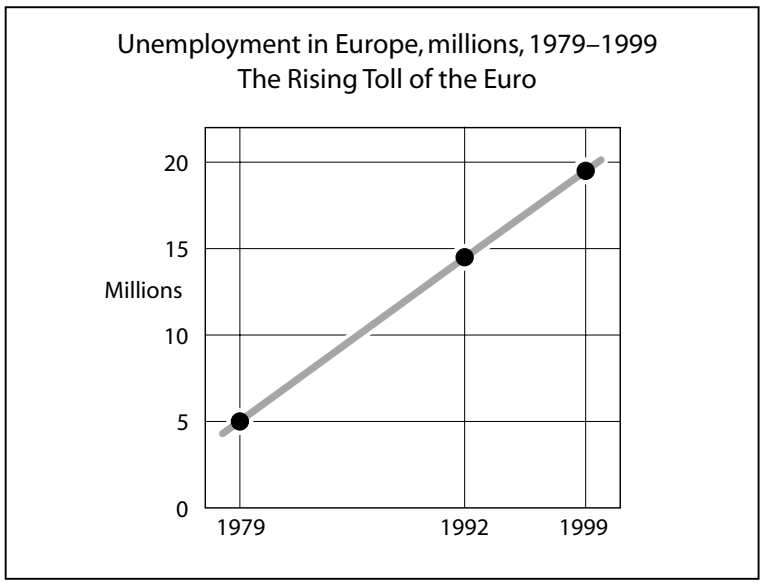
The French Constitutional Council has ruled that the Council of Europe's Charter on Minority and Regional Languages is incompatible with the French constitution. The Charter accords rights to speakers of minority languages and has thus been deemed incompatible with the principles of equality laid down in the constitution. It is also, of course, a vehicle for internal interference in the affairs of European states. If France were really to reject the Charter this would pose a problem for Europe's big plan of dismantling nation states. President Chirac has refused to initiate a constitutional amendment to allow the Charter to be ratified and so the Socialists have themselves introduced a proposal to do so, as have assorted politicians from other ranks including Alain Madelin of *Démocratie libérale* whose main crusade now seems to be to dismantle the state in all its forms, including cultural and legal. [*Le Monde*, 1st July 1999] The likelihood must be that the constitutional amendments will occur. As Philippe de Villiers said in February, "We change the constitution once every three months these days anyway."

A Currency for Jobs?

by Professor Paul Ormerod

One of the most pernicious myths perpetrated by Euro-fanatics is that the single currency is good for jobs. Trade union leaders fall over themselves in their anxiety to urge the Chancellor to sign up for membership of the single European currency. One might be tempted to say that they are just turkeys voting for Christmas. But as for so many of the élites throughout the EU, there will be jobs a-plenty for them – a myriad of committees to sit on and agreeable conferences to attend. It is the poor old union membership who will suffer.

In the dim and distant past – in 1979 to be precise – unemployment rates in Britain and the rest of the European Union as a whole were very similar. Just over one million people were unemployed in the UK, and around 5 million in the EU. Since then, unemployment has moved up and down rather dramatically in Britain, but during most of the 1990s it has fallen steadily. Indeed, it now stands at virtually the same rate as it was twenty years ago. For adult males, the figure is scarcely 4 per cent, a rate very close to full employment.



In contrast, European unemployment has effectively gone in just one direction. And that is 'up'. By the early 1990s, the 5 million unemployed had become 14 million and the figure now stands at almost 20 million. In Germany alone, nearly 5 million people are on the dole, a figure close to that last seen when Hitler came to power.

The contrasts between America and Britain on the one hand and the rest of Europe on the other have now become commonplace. The unemployment and job creation record of the Anglo-Saxon economies is much better than that of Continental Europe.

Trade unionists and others on the left often try to explain this away. It is said, for example, that the unemployment figures have been adjusted over time by the British government, so that the 'true' figure is much higher. This is absolutely correct. But such an argument betrays a touching faith in governments in the rest of Europe. For they, too, massage their unemployment levels as much as they dare. In the Netherlands, large numbers are classified as disabled rather than unemployed. In Germany, special schemes disguise the unemployed, just as they did in Britain in the 1980s.

The second line of attack is to point to the rising degree of inequality in Britain and America, with the implication that it is better to be unemployed than to have some of the jobs on offer in these countries. As it happens, being in a job is the best way of all to get another one, and employment itself is a key path out of poverty – as the British government recognises very clearly.

What this approach fails to appreciate is the large degree of inequality which exists in many countries in the rest of the European Union. In France and Italy, for example, the degree of inequality in the distribution of income is virtually identical to that of the UK (see Koen Vleminckx, Luxembourg Income Study, August 1998). Within most European countries, very marked disparities exist in the prosperity across the regions – far more so than in Britain where, with the artificial exception of inner London, income per head is much more evenly spread across the country.

To say all this does not necessarily imply endorsement of a free market agenda. There is little that is inherently wrong with the European economies. Many of the finest companies in the world are European, companies which can and do compete on a global scale. In terms of per capita income, France, Germany and Italy have grown at an almost identical rate to the United States over the past twenty years.

But European economic performance has been massively handicapped by the preparations for the single currency. For the past ten to fifteen years, economic policy has been directed towards securing a measure of convergence in these economies in order to qualify for membership of the euro. These criteria are not concerned with living standards or unemployment, for these are as widely spread as ever across the countries of Euroland. Their concern is financial – the size of government borrowing and the ratio of outstanding government debt to the overall economy are two of the key convergence criteria.

These are the reasons why central banks have maintained overvalued exchange rates across Europe, why interest rates relative to inflation have been at historical highs for must of the past ten to fifteen years. Little wonder that the economies of Europe have not performed to their full potential. They have been held back by the restrictive policies of their central banks.

The advent of the euro changes nothing. If anything, it may make matters worse. The European Central Bank has made it clear that its top priority is the control of inflation. The fall in the value of the euro since its inception ought to be welcomed, for it will make European products more competitive in world markets. But for the Central Bank, it is a matter of concern, for they believe this may boost inflation – at a time, as it happens, when inflation is virtually dead, with prices rising by less than 1 per cent a year in France and Germany.

But ought we not join sooner rather than later, in order to exercise our influence and

change the rules of the game? This tired old argument is endlessly repeated by Euro-fanatics of all political shades. It carries the distinct aroma of the de haut en bas attitude which pervades the mindset of our pro-European élite. If only we British could join the club, the others would soon be shown the errors of their ways. Unfortunately, the rules by which the European Central Bank operates are already fixed. Oskar Lafontaine tried, rightly or wrongly, to challenge the Bank and to change the rules. But it was he went, not the rules.

A completely opposite argument is also used – often at the same time. The cherished ability of the good Party member in Orwell's 1984 to hold two contradictory views simultaneously finds its modern day embodiment in our pro-Europeans. Britain, it is said, is at best a medium-sized power, in danger of being ignored in the financial councils of the world. We must join the euro club in order to preserve our influence.

But this flies in the face of reality. Britain is not a small, weak country. Our economy is huge – the fourth largest in the Western world. We set at the tables of the International Monetary Fund in our own right. If we joined the euro, our influence would shrink, not grow. For we would forfeit our individual representatives in favour of a single voice from 'Euroland'.

The future remains obstinately uncertain. We can never know exactly what it will bring. But the experience of the long years of preparation for the euro in the Continental economies suggests that the single currency is a recipe for unemployment. And our ability as a nation to act against this menace will be drastically reduced by the rules of the euro club which are already in place.

Professor Paul Ormerod is a member of the research committee of the Labour Euro Safeguards Campaign. He is the author of the best-selling Death of Economics *and* Butterfly Economics.

… news in brief

EU tries to break Czecho-Slovak customs union.

The EU has put the Czech government in an uncomfortable dilemma. It has informed Prague that it must break its customs union with Slovakia before the Czech Republic can be granted EU membership. The two countries are deeply economically integrated and cutting links would hurt them both. Both Prague and Bratislava are determined to maintain the customs union which, created in 1993 after the countries split, allows the free movement of good and services and establishes a common customs tariff and trade policy towards third countries (much like the EU itself in fact). Both Slovakia and the Czech Republic are top economic performers in the region.

EU officials have stated repeatedly that the customs union threatens Prague's application for EU membership. Prague retorts that Slovakia should be brought into fast track membership of the EU. This is not impossible since at the Cologne summit the EU gave warm welcome to the election of a senior member of the Communist nomenklatura, Rudolf Schuster, as president of Slovakia. [It was erroneously reported in a previous *Digest* that he had been a Central Committee member for 20 years. In fact, he was actually appointed to the CC only in 1986 but had nonetheless spent 20 years in other senior Communist posts.]

On the other hand, what neither Slovakia nor the Czech Republic seems to realise is that these difficulties are deliberately engineered. The EU is desperate for ways to slow down the integration process and it always comes up with new excuses for different countries. Anyone who is nice to them, as many Eastern and Central Euopean countries have been for the last decade, can expect to be repaid with contempt. [*Global Intelligence Update*, 24th June 1999]

Commissioners recycle themselves

The incoming Commission president, Romano Prodi, has said that "four, five or six" Commissioners would be allowed to remain in their posts even though they all resigned purportedly accepting collective responsibility for corruption and mismanagement in March. One of the Commissioners who might remain is one of the ones specifically attacked in the report of the Five Wise Men which led to their pre-emptive resignation (a resignation, not a sacking, which allowed them to collect 3 years' salary in severance pay). The Finnish Commissioner, Erkki Liikanen, is responsible for the budget and the administration of the Commission and yet Mr Prodi has said he can remain in his post. It is expected that Finland will officially nominate Mr Liikanen as the country's candidate for the new Commission.

Other Commissioners are quietly recycling themselves into other parts of the European political-industrial establishment. Martin Bangemann, Commissioner responsible for telecommunications, has joined the Spanish telecoms company (a case of gamekeeper turning poacher) while Emma Bonino will become an MEP along with Jacques Santer. Jacques Santer, by the way, was to be seen happily attending the G8 summit in Cologne in his capacity as President of the Commission despite the fact that he has not only "resigned" from the Commission but also "resigned" as President of it. [*Handelsblatt*, 29th June 1999]

Plans for Konigsberg

The German government has confirmed that it will be devoting new attention to the Baltic "area" (*Raum*). Speaking at the 8th conference of the Eastern Baltic Council, held in Lithuania, the State Secretary in the German Foreign Ministry, Gunter Verheugen, confirmed that the purpose of the Council was to stimulate economic development in the region, prepare countries for EU membership and draw Russia into co-operation.

That said, Mr Verheugen made it clear that he differentiates between Russia itself and the Russian enclave of Kaliningrad, the former East Prussian capital Konigsberg. He said the city should be "drawn in" to the Eastern Baltic Council in a way that Russia itself of course cannot be and called for a "special relationship" to be established between the EU and the enclave. [*Die Welt,* 16th June 1999]

New defence pact signed

Following the cessation of Nato air raids against Yugoslavia and in spite of the new impetus given to European military cooperation, the EU's key country in the Balkans, Greece, has announced that it is signing a tripartite military agreement with Iran and Armenia. Armenia currently fears that Nato will support military action against it by Azerbaijan, which has indeed called for Nato intervention on its side in the conflict over Nagorno-Karabakh which has recently re-escalated. Because of this and for historical reasons, Armenia is strongly backed by Russia with which Greece has cordial relations. But evidently these were not enough for Greece (Russia agreed to cooperate with Nato in Kosovo) and so it is now, as a Nato member, preparing to enter into a military alliance with Iran. This is because, thanks to Nato, Greece finds itself sandwiched between a nascent Greater Albania and Turkey, which has provided considerable military assistance to Albania. It is clear that this agreement will severely undermine Nato strategy in the Balkans and the Causasus – two areas linked by many common economic and strategic interests including drugs and oil. [*Global Intelligence Update*,

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Conservative MEPs and the European People's Party: Time for Divorce

by Jonathan Collett & Martin Ball

On the 30th June William Hague announced a "new deal" for Conservatives in the European Parliament. Tory MEPs will now join an enlarged coalition with centre-right parties and will work alongside allies old and new. The old allies were the EPP.

The following extracts are from the recent Bruges Group paper.

The European People's Party is the Christian Democrat grouping in the European Parliament. It was formed in April 1976 to unite Europe's Christian Democratic parties in advance of the first direct elections to the European Parliament in 1979 with the intention to co-ordinate the efforts of the Centre-Right continental parties in any moves towards policy harmonisation. The roots of the EPP go back to European Coal and Steel Community Common Assembly where the Christian Democratic Group was established.

Its commitment to a federal 'United States of Europe' was there from the start. The Basic Programme of the EPP declares that:

> *From the very start of the process of European integration after the Second World War, the Christian democratic founding fathers of the European Communities focused on the fundamental human and social dimension of their vision of the future of the peoples of Europe. Forty years later, we can see that their vision has borne fruit on an impressive scale: European unification and the European Community have been the salient factors in the history of the second party of this century.*

According to the then Group Chairman the EPP is:

> *the group of the European federalists … the most enthusiastic supporters of the European Union.*

The parliamentary group has 201 Members (MEPs) drawn from all EU Member States and is currently the second largest grouping in the European Parliament. The EPP Group is currently chaired by Wilfried Martens, who is also President of the EPP Party. Their policy position is determined by five working groups, which co-ordinate its members' parliamentary work in the 20 committees. The conclusions of the working groups are reported to the whole EPP Group and it then decides upon what policy positions to adopt in the plenary sessions of the European Parliament.

Alongside the parliamentary section, the EPP Party is also a separate EU-wide political organisation. It has an eight strong presidency which ensures the party's permanent political presence. There is a Council, which meets quarterly, made up of Member Party Presidents and secretaries-general, EU Commissioners close to the EPP and the EPP Presidency. There is a Political Bureau which decides on all the key strategic decisions, and a Congress which meets every two years to decide upon the EPP political programmes and to elect the Presidency. Five working groups formulate common positions and strategies on topical issues. Prior to EU Summits the EPP hosts meetings between EPP heads of government, the EPP Presidency and the President of the Commission (if EPP) and of the EU Parliament (if EPP), at which they agree on common political positions at the European level.

According to Jansen, the EPP is more advanced than its political opponents in creating a pan-European political party:

"The EPP is without question further down the path to becoming a trans or supra-national party than the socialists, the greens or the Liberals."

The Policies of the EPP

"EPP member parties in the different Community countries had portrayed themselves as 'European parties'. The EPP itself demanded that governments press forward on the road to a federal organisation. The measures that would lead to this supranational Europe were set out in the EPP's programme and the programmes of its national and regional structures."

EPP policy is clearly revealed *via* its Basic Programme, its Action Programme 1999–2004 and its manifesto for the 1999 European Election,"A Europe of Opportunities". The Basic Programme was adopted by the IX EPP Congress held in Athens in November 1992. The Action Programme was adopted by the XIII EPP Congress held in Brussels on 4–6 February 1999.

For the EPP the introduction of the euro is only the start and they want to take the integrationist agenda much further.

"We have already taken a great step forward towards European integration by introducing the Single Currency. But the euro is not the final objective, nor a mere technical improvement. For the EPP it is the foundation stone of what we intend to be a new era, one which will bring Europe closer to its citizens in a bewildering time."

EPP Policy Commitments

The following are taken from the EPP Action Plan 1999–2004, the EPP European Election manifesto and the EPP Basic Programme:

A Foreign Policy for Europe

This new era will entail the EU having one external voice:

"We must act as one on the international scene. Together we carry more weight in our relations with other countries. Europe needs a Common Foreign and Security Policy to enable it to defend our values and interests."

17. "The EPP demands a determined application of the new instruments which have been developed in the framework of Common Foreign and Security Policy (CFSP)."

"It is therefore essential that the Union should in future have an international legal personality."

A European Seat at the UN

1. "The European Union needs a Common Foreign and Security Policy to make it a political power capable of acting in accordance with its values and common interests."

5. "EU Member States which are permanent or temporary members of the UN Security Council should not just

represent themselves, but deliberately and systematically promote EU policy."

A European Seat at the IMF …

13. "To give the Currency Union a strong voice outside the EU, the EPP calls for the President of the European Central Bank (ECB), and the Commissioner responsible for currency questions, to be represented at meetings of International Monetary Fund bodies."

… and at the WTO

19. "In the field of external economic relations, the Union should be responsible for all issues being dealt with within framework of the WTO and, as a general rule, the Commission should be endowed by the Council and the European Parliament with general negotiating powers."

Integration of the WEU

18. "The EPP favours the integration into the EU of the Western European Union (WEU). The WEU should become the defence element of the Union and the European pillar of NATO."

"Whether or not to participate in such operations should be a decision for each Member State, but the financial burden should be shared by all Member States, and, at the end of this process, be included in the budgetary procedure."

A common European income tax

The EPP wants to establish a federal budget within the EU; holding tax raising powers:

Basic Programme 212–3. "The Union must be given all the means necessary for the achievement of its objectives and the implementation of its policies. It will therefore be given a federal-type budget with sufficient resources managed on a 'progressive' basis, taking into account the relative prosperity of each member state. In this connection, the EPP is in favour of a direct relationship between the European Community and the taxpayer, thereby also giving the European Parliament direct responsibility *vis-à-vis* the taxpayer."

A European Police Force

6. "Now that the Europol Convention has been ratified, the remaining hurdles must be overcome to enable Europol to undertake the tasks assigned to it. In due course, Europol should be accorded executive and operational powers thereby making it possible to pursue crime effectively. Europol should be financed from the EU budget, and be subject to judicial and democratic review by the Court of Justice and the European Parliament."

13. "Consideration should be given to the establishment of some kind of European public prosecutor for a limited number of cross-border offences."

Enlargement

3. "They have to reform their fragile political systems and create stable democracies based unambiguously on the rule of law; adopt the principles of a market economy; settle regional conflicts; and establish stable relations of mutual trust with neighbouring countries and with Europe as a whole."

Citizens of Europe

9. "EU citizenship should be further developed as an expression of a sense of belonging to, and identification with, the Union."

A European Constitution

The EPP calls for a European Constitution incorporating a Bill of Rights.

10. "As proposed by the Draft Constitution of the European Parliament, the European Union needs a constitution in order to define the specific decision-making processes of the different institutions of the Union, and the competences of the Union, individual Member States, and regions, in accordance with the principles of subsidiarity. Furthermore, this Constitution must include a Bill of Rights which accords with the European Convention on Human Rights."

Phasing out the veto

12. "The Council's legislative decisions must in principle be taken by majority for a transitional period, decisions on changes to the treaties, enlargement of the Union or increases in own resources should continue to be adopted unanimously, and ratified by the Member States and by the European Parliament."

"Furthermore, it is necessary to introduce a re-weighting of votes within the Council. Alternatively double majority voting should be introduced which takes Member States' relative population size into account."

"The co-decision procedure must apply to all fields of European legislation, including agricultural policy."

Strengthening the Commission

13. "The EPP seeks a strong and independent European Commission which continues to be the driving force behind the Union and one which will grow into the genuine executive power of the Union. The Commission is the guardian of the treaties and therefore represents the Union's interests. It must be independent and retain the monopoly of legislative initiative. The Commission ought, in the future, to further develop its efficiency, effectiveness, and control of the financial interests of the Union. Individual Commissioners must, as a matter of course, act only in the interest of the Union as a whole. Once a re-weighting of votes in the Council has been agreed, we wish to see all Member States represented by a maximum of one Commissioner per state, as set out in the Institutional Protocol of the Treaty of Amsterdam."

Strengthening the European Parliament

15. "In order to create equality between MEPs and to avoid the existing distortions, a uniform and transparent statute for MEPs should be approved by the Council, as developed by the European Parliament, in accordance with the Treaty of Amsterdam."

BP236 "The European parliament must have the final say on constitutional and legislative matters."

A Common Voting System

16. "The European People's Party strongly believes in the necessity of agreeing on common principles for an electoral law in time for the 2004 European Elections."

European Political Parties

20. "The EPP strongly urges the implementation of Article 138A of the Treaty of Maastricht (Article 191 of the Treaty of Amsterdam) resulting in a broader development of European-wide political parties, such as European support for better contacts with voters, policy development, training and educational activities."

Uniform European Electoral Law

22. "The EPP undertakes to defend within the European Parliament the principle of parity of representation of Europe's elected representatives."

Cultural Identity

26. "To bring to life the cultural area common to Europe's people."

Co-ordination of National Economic Policies

7. "The success of the economic and currency union will largely be determined by the degree to which national finance and wage policies are consistent with common monetary policy."

A European transport policy

16. "The common European transport policy is of central importance for

economic recovery and social cohesion in the EU. We need a uniform growth-oriented and environmentally safe transport area in order to make the internal market a reality and to promote economic growth and respect for the environment."

19. "In order to achieve environmentally safer use of the various modes of transport, the costs of using infrastructure must be charged effectively and uniformly to the individual modes of transport in the EU."

Trade Unions and Employers

12. "The EPP actively supports the legislature planning for such dispositions, and calls upon the trade unions and employers' organisations to reorganise their collective negotiations to ensure social dialogue within the European Union."

Equality of Men and Women

9. "We propose a reduction in working time by taking a whole career into account in the form of a time-credit, with the same model applicable to everyone, which would be compulsory to take during a person's working life, in consultation with the social partners."

10. "On the employment issue, the EPP will support all measures which allow for suppressing effective discrimination against women in recruitment practices, salary and promotion."

12. "In education and training, the media plays a decisive role in the transmission of values and the socio-cultural roles attributed to men and women. Apart from the training of educators and teachers, the EPP demands that the European Unions establish rules to be respected by the media to ensure that they broadcast an image which values women."

14. "The EPP attaches a special quality to Sundays as a day for common meditation, family life and recreation for as many people as possible."

Teachers' qualifications

21. "The concepts of 'gender' and 'interculturalism' must be integrated into the training programmes for teachers and educators."

22. "Teacher training must help to place teachers in a framework of European citizenship and durable development."

Money Laundering

14. "This will also involve surveillance of so-called tax havens on territories associated with the EU, and an examination of Member States' legislation on banking secrecy."

A Common Immigration and Asylum Policy

1. "Agreed common regulations on immigration and asylum in the European Union are of decisive importance to the European People's Party."

2. "Divergent laws and procedures in the EU do not make sense. The introduction of a common immigration and asylum policy is a priority for the coming years."

Harmonising Environmental Policies

1. "The EPP emphasises the necessity for a common European policy on the environment."

3. "On environmental issues, the Council in principle decides by qualified majority. Where it does not, QMV should be introduced."

4. "In this connection, the EPP supports complementing environmental laws with voluntary agreements, and an energy tax harmonised on a Europe-wide basis, one which does not affect the overall level of tax or damage competition, and also environmental taxes."

An Energy Tax

11. "An energy tax harmonised on a European basis, and based on the amount of CO_2 emission, could be an instrument in achieving these objectives."

Water

18. "The EPP commits itself to the development of a common EU policy to protect water … all in line with a future European framework directive on water."

The EPP agenda and action plan is in short a blueprint for a federal United States of Europe.

Can Conservative MEPs remain allied with the EPP?

It is impossible for the present Leadership to pretend it is in sympathy with the thrust of the EPP policy agenda. Some Conservative MEPs may oppose any severing of the ties, either for philosophical reasons or the more base desire to have the trappings of a large parliamentary grouping.

For example, the EPP's favoured candidate for Commission President, Romano Prodi, rejected the *à la carte* Europe sought by William Hague.

Conservative Youth sections have previously disassociated themselves from their Christian Democrat equivalents. In 1994 the National Young Conservatives disaffiliated from DEMYC and established a grouping of European Young Conservatives. In a publication distributed at the 1995 National Young Conservative Annual Conference an article about the first birthday of the European Young Conservatives claimed that the organisation is the only organisation in Europe committed to uniting young people around the banner of Conservatism. It looked forward to the day when the respective senior parties would similarly join together and called for Tory MEPs to "end their shameful links with the Christian Democrats".

In the last two years Conservative youth organisations have also refused to join the Young European People's Party (YEPP), the youth section of the EPP. Very recently Conservative Future, the Conservative Party's new youth organisation, dissented from a manifesto of the European Democratic Students. Their noted objection demonstrates the fundamental division between British Conservatism and continental Christian Democracy:

"Conservative Future is unable to endorse a document that supports further European integration and surrendering of national sovereignty, and, as such, does not support this manifesto."

Conservative MEPs would not be the first to have left the EPP. Ulster Unionist Party MEP Jim Nicholson switched to the Europe of Nations Group in December 1996 after what he described as "careful deliberation" on key European issues. His website states his precise reasons for leaving:

"For some time he has been concerned about the European People's Party. Its determination to achieve a single currency and a centralised European government has started to outrun the wishes of the people in various member states. The Ulster Unionist Party has supported the European Union as an entity for economic co-operation and trade. It is opposed to the creation of a European Super State, which since Maastricht has become the overriding objective for the EPP."

The same principles that guide and shape the attitudes of youth sections of the Conservative Party (and of James Nicholson) apply to their seniors. They have challenged the fundamental nature of the feasibility of relations between British Conservatism and continental Christian Democracy. After such soul searching they have severed relations. A formal relationship between the group of Conservative MEPs and the EPP seems equally erroneous.

Conclusion

A continued formal relationship between Conservative MEPs and the European People's Party would be ludicrous. Their respective manifestos for the 1999 European parliamentary elections are completely at odds with each other. The Conservative manifesto proposed a wider Europe of sovereign nation states co-operating freely whilst the EPP manifesto wants concrete action to create a deeper, fully integrated federal Europe.

For its MEPs to retain credibility the Conservative Party must now sever all formal links with the EPP. What can be the point of sitting in a group for "influence" when you do not agree with it? Perhaps, according to this argument, Conservative MEPs should actually be sitting with the Party of European Socialists who, before the 1999 European Elections, are an even bigger grouping.

It is not even true that Conservative MEPs will be bolstering the centre-right in Europe by sitting with the EPP. The EPP is explicitly and avowedly a party of the

A Comparison of Policies

	The European People's Party	The Conservatives
The Euro	"We have already taken a great step forward towards European integration by introducing the Single Currency." EPP Manifesto	"We will oppose entry into the single currency." CP Manifesto
Increased Majority Voting	"The Council procedure of unanimous voting must gradually be restricted." EPP Basic Programme	"We will oppose … any further erosion of the British veto." CP Manifesto
Taxation Policy	The EPP wants to establish a federal budget for the EU and the harmonisation of income tax.	The Tories are opposed to the equalisation of taxes across the EU.
Defence	"The EPP favours the integration into the EU of the Western European Union (WEU). The WEU should become the defence element of the Union and the European pillar of NATO." EPP Action Plan	"NATO should remain the bedrock of British security. The EU does not need its own army." CP Manifesto
Crime	"We want to reinforce judicial co-operation to create a genuine area of freedom, security and justice. Only an effective European police force is in a position to fight the scourge of international crime." EPP Manifesto	"We will oppose resolutely moves towards the creation of a Europe-wide criminal justice system." CP Manifesto
Transport	The EPP believes in a common transport policy.	The Tories will oppose moves to harmonise road charges and other transport tariffs.
Immigration	"We call for the harmonisation of European legislation in the area of asylum and immigration, with uniform criteria at all European borders." EPP Manifesto	"We will resist any attempt to develop a common immigration policy for the EU as a whole." CP Manifesto
Budget	The EPP wants to see the European federal budget increased and "fairer" contributions from member states.	"We will seek to reduce the size of the EU budget … and to reduce the British net contribution." CP Manifesto
Institutional Reform	The EPP firmly believes in the principle of *acquis communautaire* and ever closer union.	"Government must have greater freedom in deciding which other aspects of EU policy they adopt." CP Manifesto
Environment	The EPP emphasises the need for a common European policy on the environment including common policies on energy and water.	William Hague outlined at Budapest his vision of an a la carte Europe.
Employment	The EPP supports the Social Chapter, wants legislation on the equality of men and women and further regulations on working life.	Conservatives want to see red tape and bureaucracy reduced.

Centre. The Christian Democratic tradition is completely alien to British Conservativism. Once they have disengaged Conservatives would still be free to vote with members of the European People's Party on issues on which they are agreed; but given the huge gulf between their expressed aims, whether this would happen in practice is a moot point.

Claims that the Conservative MEPs are only an associated grouping do not stand up to argument. On the official EPP website British Conservative MEPs are not listed as Conservatives or even as associated EPP members but are listed simply as European People's Party members. James Provan MEP is listed as Vice Chairman of the EPP.

Neither can Conservative candidates claim that they will not be bound by the EPP manifesto. The action plan for 1999–2004 is exactly that; an action plan for the group to follow throughout the next parliament. Why call it an action plan if there is no plan to take any action?

William Hague has successfully internally reformed and democratised his party. He must now show strong leadership in Europe. It should not be for the MEPs to decide whom they should sit with but for their party leadership. The leader and Shadow Cabinet should determine Party affiliations. This has been universally accepted by MEPs. The choice is to display self confidence in the Conservative Party and its programme or to acquiesce in some bizarre attempt at influence by cozying up to those with completely opposite stated aims and intentions.

There are three viable and relatively attractive options open to the Conservative Party. Firstly a possible attraction is to found a new grouping of MEPs around their professed vision of a Europe of sovereign nation states. Under the terms of the Amsterdam Treaty, which no longer permits MEPs of any one country to form a grouping, only 23 members are needed to form a group if they come from two member states, only 18 members if they come from three member states and only 14 members if they come from four or more member states. The European Parliament can only legislate by an absolute majority of all its members. So, in other words, it does not really matter who sits with whom, since all the big groups must agree for anything important to happen. There are logistical advantages to being part of a smaller group as more speaking time and better control of one's own press officers.

Secondly the Conservatives could join the Europe of Nations Group which has long since functioned effectively. This is an admirable grouping of mainly Scandinavian and French MEPs. James Nicholson, the Ulster Unionist, is also a member. Finally Conservatives could join some sort of Gaullist coalition with likeminded MEPs (mainly French) from other member states.

The words of a *Times* newspaper editorial are as equally true today as they were at the start of the 1994–99 European Parliament:

> *British Tories need no longer feel isolated or compelled to remain allied to the European People's party grouping for the purposes of respectability.*

It is now time for divorce and an end to this distinctly unlikely and unhappy marriage. There are members from other countries who share Conservative philosophy and its vision of future European co-operation who would make more fitting partners. If the Conservative party is not to appear split over Europe, if William Hague's leadership is to be accepted and his programme enthusiastically supported, Conservative MEPs must willingly support official Conservative party policy and only form alliances with similarly minded groups. The choice is clear. Continue to affiliate to a grouping from an alien tradition with alternative and opposite beliefs. Or represent the views overwhelmingly endorsed by the Conservative grass roots, its MPs and its Leader. Whatever the alternatives the time has come to bid the EPP goodbye.

Jonathan Collett is Campaign Director of the Bruges Group. Martin Ball is Campaign Director of FOREST.

The pamphlet can be ordered from the Bruges Group: see page 27.

Internet searches for "European peoples party" come up with various interesting sites. "Communicating our strongly pro European message to the general public" is the EPP site http://www.europarl.eu.int/ppe/tree/home/home_en.htm, and the EPP explanation of "Why do we need the euro?" can be found at http://www.europarl.eu.int/ppe/tree/themes/en/monnaie.htm

POLL DATA

Analysis of the European Elections

by Tony Lodge

The European elections which took place on June 10th provided the whole Eurorealist movement with a serious tonic. They not only relegated the pro-euro Labour Government to second position in the share of the vote, but they also demonstrated that over 50% of voters backed a Eurosceptic party, whether it be the Conservatives, the UKIP or the Greens or others. (See Table I)

In Great Britain, the Conservatives won 36 of the 81 seats, with Labour winning 29. Plaid Cymru, the Green Party and the UK Independence Party gained their first ever MEPs. In Ulster, the Democratic Unionist Party of Dr Ian Paisley gained the most number of first preference votes. The DUP, SDLP and UUP shared the three seats in the province.

Turnout in Great Britain was around 23%, with around 57% voting in Northern Ireland. Turnout in the UK was lower than in any other EU country and than in any previous election to the European Parliament. (See Table III and Chart)

When the European Election results are compared against the Westminster constituencies that would have been won in Great Britain had voting in a General Election followed exactly the same pattern, the result would appear as follows. (Table II)

Tony Lodge is Editor of the European Journal.

Table I: Analysis of Voting and Seats Won by Party

	Votes		Seats Won	
	Number	%	Number	%
Conservative	3,578,217	35.8	36	43
Labour	2,803,821	28.0	29	35
Liberal Democrat	1,266,549	12.7	10	12
UK Independence Party	696,057	7.0	3	4
Green Party	625,378	6.2	2	2
Scottish National Party	268,528	2.7	2	2
Plaid Cymru	185,235	1.8	2	2
Pro Euro Conservative Party	138,097	1.4		
British National Party	102,644	1.0		
Liberal	93,051	0.9		
Socialist Labour Party	86,749	0.9		
Others	157,944	1.6		
Total	10,002,270	100.0%		

Table III: House of Commons Seats by Party

	1997 General Election	Notional based on 1999 Euro-election
Labour	418	261
Conservative	165	352
Liberal Democrat	46	3
SNP	6	15
PC	4	10
Other (inc N.I.)	20	18

PercentageTurnout in Euroelections, 1979–1999

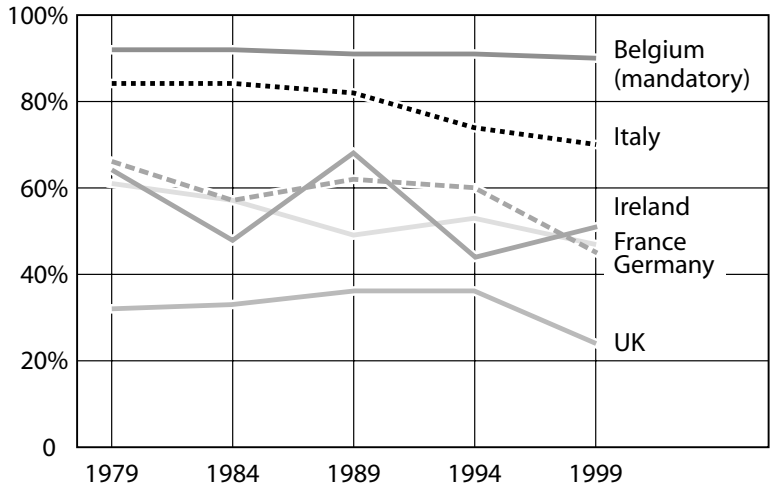


Table II: Percentage Turnout by Country, 1979–99

	1979	1984	1989	1994	1999
Austria	-	-	-	68 (a)	49
Belgium†	92	92	91	91	90
Denmark	47	52	46	53	50
Finland	-	-	-	60 (a)	30
France	61	57	49	53	47
Germany	66	57	62	60	45
Greece	79 (b)	77	80	71	70
Ireland	64	48	68	44	51
Italy	86	84	82	75	71
Luxembourg†	89	87	87	89	86
Netherlands	58	51	47	36	40
Portugal	-	72 (c)	51	36	40
Sweden	-	-	-	42 (a)	38
Spain	-	69 (c)	55	59	64
UK	32	33	36	36	24
EU average	63	61	59	57	49

† mandatory voting; (a) 1996; (b) 1961; (c) 1987

EMU and Globalisation

Extracts of a lecture by Professor Deepak Lal to Politeia on 25th May 1999

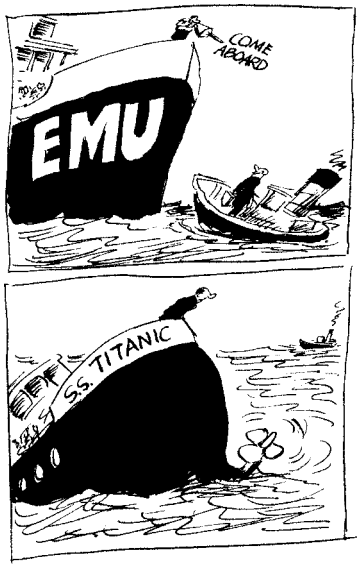
Introduction

If a Rip van Winkle had gone to sleep at the end of about 1870 and woken up in the last few years, he would find that little has changed in the world economy. He would note the various technological advances in transportation and communications (airlines, telephones and the computer) which have further reduced the costs of international trade and commerce and led to the progressive integration of the world economy which was well under way – after the first Great Age of Reform – when he went to sleep.

The terrible events of this century – two world wars, a Great Depression and the battles against two illiberal creeds – Fascism and Communism – which led to the breakdown of the first liberal international economic order (LIEO) – created under British leadership after the Repeal of the Corn Laws – would form no part of his memory. Nor would the various and varying fads in economic policy – both national and international – during this century make any sense, e.g. exchange controls, the use of quotas rather than tariffs as instruments of protection, centralised planning and associated controls on production and distribution, and restrictions on the free flow of capital.

Having read his De Tocqueville he would also not be surprised that the US and Russia had become Great Powers in the latter part of this century – though the latter's greatness was to prove ephemeral. Nor that it took the US nearly a century to become the predominant power, just as it took Britain nearly a century from the mid-18th century conflict with France till the end of the Napoleonic Wars to achieve its predominance. His reading of De Tocqueville would also allow him to see a natural progression from the rise of Great Britain – which was in a sense the victory of an aristocratic oligarchy over the divine right of kings – to that of the US, which is a victory of Demos over aristocracy. Whether this is an unmixed blessing is open to question.

He would be surprised by two features of the current world economy. For unlike the 19th century when there was free movement of goods, money and people, today there are relatively free flows of goods and money but no free movement of labour. This is related to the second surprising feature he would observe: the welfare states to be found in most advanced countries which, as he would soon recognise, have created property rights in citizenship. This necessarily leads to restrictions on immigration. For immigration creates new citizens with an automatic right of access to the purses of existing citizens through the transfer state.



EMU and the Global Economy

The first question has two parts: the effects of EMU on the international monetary system and, secondly, on the world trading system. On the latter I can be brief, as on trade matters the EU has already been acting as a bloc with one voice – for good or ill – for a considerable period, in the various trade rounds that have markedly liberalised world trade under GATT and now WTO auspices. EMU does not alter this position. It might, however, for reasons I will to in examining the effects of EMU on Europe, affect its stance in future trade negotiations. But the continuing mercantilist frictions, for instance in the recent banana and GM foods disputes with the US, show that it retains its protectionist instincts.

What of EMU's effects on the international monetary standard? The world has in effect been on a dollar standard. A successful euro could challenge this dominance. For the share of Euroland in global trade and production matches that of the US, and this could make it attractive as an international store of value and a vehicle currency for international transactions in goods and services, as well as for the dealings of the burgeoning international underground economy. But would this rivalry with the hitherto dominant dollar be in the global interest? A number of economic historians have maintained that part of the cause for the break-up of the 19th century liberal international economic order was that the decline of Pax Britannica was not smoothly followed by the rise of Pax Americana. This economically and politically dominant power did not accept this role till the end of the 2nd World War. In fact it is its hegemony that Europe seeks to challenge. But apart from the question of its likelihood of success, there is the danger that this attempt might create the type of frictions which led to the breakdown of the 19th century liberal international economic order.

However, if the euro can successfully challenge the dollar as an international store of value, a larger share of the world's money supply (including reserves) will be held in euros rather than in dollars. This will provide implicit revenue in the form of seignorage to the European Central Bank. But, if this were to happen there would be two other global consequences. If there was a large enough shift out of existing US assets and of further flows from the world's savers into the euro, this would make the current imbalance between savings and investment in the US untenable and its current account deficit unsustainable. A depreciating dollar, rising interest rates and a collapse of asset prices – not least in the bubble on Wall Street – would then seem to follow. But, nearly six months after the euro took its bow, this has not come to pass.

Nor has the other implication that with the inflows of capital induced by a desire of world investors to diversify their portfolios, ceteris paribus, the euro would soar. This has not happened so far. Why? The reason, I conjecture, is that the euro is not as yet perceived as being credibly as good as the dollar, because, while there is no question in anyone's mind that the dollar in which the US treasury's long term (30 year) bonds are denominated will still be around when they are redeemed, no one can be as certain of the euro's survival when 30 year euro bonds are issued by the ECB and come up for redemption.

This lack of credibility about its survival is intimately linked to the way the euro was set up: by putting the cart of monetary union before the horse of political union. The currency of a genuine political state is credible because the currency's demise would be co-terminus with that of the state issuing it – which is unlikely. If not underpinned by a political union, a currency union is only credible if it fulfils the criterion of what economists call an 'optimum currency area' – within which exchange rates should be fixed. As such the bulk of respectable mainstream economists see the euro as a dangerous gamble with a high chance of failure.

Euroland is likely to be riven by inter-regional political tensions, because of the monetary union. These could inflame those very nationalist passions which the creation of Euroland was aimed to suppress. Some like Martin Feldstein of Harvard have even predicted a resurgence of the old European wars as a result of these tensions engendered by the advent of the euro. Rather than leading to political union, monetary union could perpetuate the current political disunion and further lead to the break-up of the Common Market as economic nationalism is fed by these troubles.

The drive for European political unity is not helped by the fact that it is a political project which has tried to suppress normal politics in the member countries in getting through its various stages. It is a project born out of the respective weaknesses of the participants and not their strengths. The French, despite their bravado and pride, are a defeated nation. They see the Anglo–Saxons, not least in their language and culture, triumphing worldwide. The French élite – most of whom seem to be associated in one way or another with ENA (and can be properly called ENArques) – has therefore seen the EU as its only hope of global influence in a Europe in which they would jointly exercise hegemony with the Germans – on their model of the French rider riding a German horse – in a new Holy Roman Empire. Germany, because of its World War trauma, has gone along with this illusion and used the clever ploy of promoting an economic union leading to political union to tie down German nationalism as the best way to tame the passions which have led to two savage European wars. Italy has gone along because it wishes to unload the unending burden of subsidising the Mezzogiorno to a larger body of European taxpayers, while the rest of the Mediterranean countries and Ireland have looked upon the subsidies, through the CAP and other regional schemes, they have obtained from Europe as a drunk given free access to a liquor store. And Britain? In search of a post imperial role and identity, a part of its élite, particularly in the Foreign Office, has come to the defeatist conclusion that the only role left for Britain is as a part of 'Europe' – where the parentheses emphasise, as Noel Malcolm has done, the artificiality of this project – where its worldly experience would allow it to join France and Germany in running Europe. To another part of the establishment and the general public the European project was sold as merely a common market which would provide the usual gains from trade in a larger unified economic space. The explicitly political aim of the European partners was said to be just window dressing. As this lie has been gradually exposed, Europe has become the great dividing line in British politics with, unsurprisingly the euro at its centre.

To another part of the establishment and the general public the European project was sold as merely a common market …

There is a third and equally serious danger. With the setting up of the ECB, it has pooled the reserves of its constituent 'national' central banks. In a fractional reserve banking system, as we have known since Bagehot, one essential task for a central bank in the face of a financial panic is to act as a lender of last resort. The Maastricht treaty is silent on who will provide this function in Euroland. Even if the 'national' central banks are willing to stem a regional financial panic, they not be able as they have handed most of their reserves and the power to print national money to the ECB. By contrast, the ECB may be able but not willing to act in a regional panic because this could be taken as a bail out – at the wider EU taxpayers' expense – of regional bankrupts. In a nation state with both political and monetary union, this would not matter because of the sharing of a common national identity. But Germans in the EU are unlikely to take kindly to the promised successor to the Bundesbank bailing out some feckless Italian financial institution. Another source of political conflict. Once again it seems the cart of monetary union has wrongly been placed before the horse of political union. What is worse, this paralysis in acting as a lender of last resort could, in the face of financial shocks, lead to a European slump on the scale of the US Great Depression.

There is a fourth danger. If the euro appreciates, there is likely to be a capital inflow whose obverse side is a trade deficit with the rest of the world. This will in the short run make it easier to finance budget deficits in Euroland, which are mainly caused by bloated and overgenerous welfare states. These have served the political purpose of keeping the lid on popular discontent arising from the unemployment caused by unreformed labour markets. The seeming easy financing of these deficits by capital inflows would delay those badly needed reforms without which Euroland has no hope of competing in the global economy. By reducing the productivity of investment, this sclerotic labour market also damages growth. As has happened in so many Latin American countries, foreign investors are then likely to take fright, and the drastic measures which may then be required to deal with deficits that have become unsustainable could tear apart the social compact of the European 'social market economy'. The resulting wrath of the hitherto ignored and docile Demos in Euroland could be terrifying.

The final danger is that, egged on by the rising trade deficits, the Europeans may try to create a Fortress Europe. This would also fit in with their 'nation building' aims which, as Hecksher emphasised in his magisterial work on Mercantilism for the post-Renaissance creation of European nation states and Myint and I found for the post-war Third World, naturally leads to dirigisme. But, as worldwide experience has shown, this way lies the route to poverty of the Second, if not the Third, World. It is also not viable in the long run. Which of these various routes will undo the European project it is impossible to tell, but it is these political fears about the effects of the euro on Europe which I suspect will make it difficult for it to replace the dollar as a world currency in the near future.

Dinosaurs Versus Modernisers

Finally, there is one other reason why the euro is unlikely to replace the dollar as a world currency. This is the contradictory expectations of the supporters of the euro. The first are those of what I will call the "Dinosaurs", the second of those I will call the "Modernisers". The Dinosaurs look upon the euro and the whole European project as protecting that whole economic and cultural complex which is called by that oxymoron a "social market economy" from – what are labelled – the neo-liberal effects of globalisation and the spread of Anglo-Saxon culture. The Modernisers by contrast look upon the euro and the stability pact accompanying it as the means to establish a flexible, dynamic and truly globalised economy as achieved in Thatcherite Britain.

Conclusions

For the euro successfully to challenge the dollar, not only would all these processes of globalisation need to be accepted in Euroland, but, in addition, as I have argued, there will be a need to create a genuine nation state with a true European identity. For only then will the conditions for an optimum currency area be met. It is doubtful if, despite the spin doctors, there is any emerging European identity – as witness the recent World Cup, where all the most ancient tribal rivalries were often on bloody display. As regards the conflict between the dinosaurs and the modernisers, perhaps the optimists will be proved right. EU politicians will bite the bullet and undertake the structural reforms necessary for Euroland to integrate fully with the global economy. But I remain a sceptic, because for all the political prerequisites for success to be met is like asking 'whether pigs have wings'. Finally, as I have argued, in this process of globalising Euroland, the euro is much the problem as the solution.

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… news in brief

Heim ins Reich

The Austrian army is serving under German command in the Balkans. The Austrian cabinet has agreed to send a batallion into Kosovo and that it should be under the command of General von Korff of the Bundeswehr. As one German paper nonchalantly commented, "If one were to interpret the Austrian constitution dogmatically, this would be completely illegal." It is therefore just as well that the Austrian government does not interpret its constitution "dogmatically" because that constitution, as everyone knows, very explicitly commits Austria to "permanent neutrality", a condition imposed by the allies in 1955 precisely to prevent the Austrian army from coming under the command of the German army ever again. Indeed the strict conditions imposed to separate Austria from Germany constitute a long list of which the interdiction on military co-operation is only one element among others including interdictions on arms sales and other transfers of technology. The decision to break so spectacularly with the post-war order has been trumpeted as a triumph for the "normalisation" of Austria and Germany within the EU. And since most other countries have infringed their constitutions as well (including Germany, which is constitutionally forbidden from waging an aggressive war, as it has done by co-operating with the Nato attacks on Yugoslavia) Austria's infraction is only par for the course. [*Süddeutsche Zeitung*, 28th June 1999]

Albanian president calls for Kosovo & Montenegro to join EU

The Albanian president has publicly insisted that he wants to see an independent Kosovo (in spite of what the peace deal says) and an independent Montenegro. Rexhep Mejdani told a German paper he expected the international protectorate in Kosovo to last no more than 5 years, after which the provinces should become independent and "immediately be integrated into the European Union". He expressed approval of the EU's current plan to integrate the whole of South-eastern Europe into "Euro-Atlantic structures" although he admitted that his own country would take "one or two decades" before being able to fulfil all the criteria for EU membership. [*Suddeutsche Zeitung,* 17th June 1999]

Balkan pipeline in the pipeline

Hot on the heels the conclusion of Nato hostilities against Yugoslavia comes a half-million dollar grant, accorded by the USA to Bulgaria, to study how to build a pipeline across the Balkans in order to carry Caspian oil to the West. The news has shocked Turkey which expected to get the lucrative pipeline itself. Under the proposed plan, oil would be shipped from the Black Sea port of Novorossiysk in Russia and from Supsa in former Soviet Georgia and then pumped by overland pipeline across Bulgaria, Macedonia and Albania to consumers in the West. The alacrity of the decision could provide some key to the real strategic interests behind the Balkan conflict and may have also involved an agreement with Russia on the subject. [*United Press International*, June 23, 1999]

EU seeks customs union with Latin America

A plan was hatched at the EU-Latin American summit to create a customs union with Latin America. This would involve consolidating the various existing treaties between the EU and South America but also, no doubt, in adding new provisions. The German Chancellor, Gerhard Schröder, has said that such an agreement could be signed at some point between 2003 and 2005. The political nature of the union was underlined when the Brazilian president said that the prospect of a free trade agreement with the EU would provide a counterweight against the influence of the USA in South America, and when the German Chancellor described the new links between the EU and South America as the beginning of "a strategic partnership". Schröder also tried to sell the euro to the Latin Americans, whose economies are naturally very oriented towards the dollar. The Brazilian president countered by saying that the present "asymetric globalisation" (i.e. American dominated) had to become a "globalisation of solidarity". In a clear reference to the USA, Mr Cardoso said that economic links between Latin America and Europe were "essential" for balance and multiplicity in international relations. A pan-American free trade zone is scheduled to be introduced in 2005. But the Spanish prime minister, José Maria Aznar, said that a free trade agreement between the EU and Mexico could be concluded before the end of this year. Meanwhile, the possibility of a customs union in the next century was evoked at the summit. Quite why a customs union would be formed with the underdeveloped and varied economies of South America before starting one with the relatively homogenous and developed ones of North America is difficult to see from an economic point of view. The purpose is obviously political, not economic. [*Handelsblatt*, 28th and 29th June 1999; *Süddeutsche Zeitung*, *Die Welt*, 30th June 1999]

EMU: The Czech Perspective

Extracts of a speech by Professor Vàclav Klaus at a conference entitled "Should France leave EMU" held in the University of Paris Dauphine on May 26th 1999

As a politician and former economist, I have a frustrating feeling that everything about EMU has already been said, that there is nothing to add, that there is definitely no lack of knowledge. The problem is whether we use sufficiently the existing knowledge. Famous economists repeatedly tried to explain basic, more or less textbook, arguments about both optimum currency areas and monetary unions, but I am afraid the architects of EMU didn't listen carefully or sufficiently.

The economists continued to remind us that the conditions for a successful monetary union are microeconomic, which means that they have directly nothing to do with the macroeconomic conditions specified at Maastricht.

It was repeatedly emphasised that the benefits of free trade are connected with the European Economic Community (which means with a free trade area and a customs union), and that they are independent of a monetary union.

It was argued that the appeal of getting something for nothing is wrong. It was stressed that it is not possible to convert a variable into a constant without paying an inevitable price, without provoking movements of some other variable or variables.

We could go on with similar arguments, but it seems to me that it's not sufficient because we usually talk about the benefits of a monetary union and not about its costs. Our task remains to analyse and forecast its consequences inside the European Union, outside the European Union, *vis-à-vis* the future member countries, *vis-à-vis* the United States, *vis-à-vis* Asian countries.

Undoubtedly, there will be costs and not just benefits. We will be confronted with substantial costs, tangible costs as well as non-tangible costs. I will concentrate on one issue only. It seems to me that the architects of the euro must be – to use labels well known in the economic profession – new classicals or at least elasticity optimists. They have to assume that prices and wages in Europe are so flexible that exchange rate adjustment is not, and will never be, needed. Additionally, they have to assume that labour mobility is very high. The empirical data do not, as I see them, support these assumptions. In such a situation, something else must become flexible and mobile. This variable, of course, exists and we call it fiscal transfers among individual member countries of the EMU. It seems to me to be a mistake that their potential size and frequency have not been sufficiently or openly discussed. All of us know that the size of those fiscal transfers in a recently created Monetary Union called Germany was and is enormous. I am aware of the size and frequency of fiscal transfers in a Monetary Union which used to be called Czechoslovakia. I was its last Minister of Finance who was sending the fiscal transfers from one part of the Monetary Union to another and I know that it was impossible to continue.

> … the danger is in an undeniable undertone of anti-Americanism and anti-Asiatism in his arguments

There is another problem. It was probably implicitly or subconsciously assumed that currency domain (monetary union) can be greater than fiscal domain (fiscal union). As far as I know, it has never been proved that this can create a viable institutional arrangement. I am convinced of the inevitability of the one-way street, of the inevitability of the path: monetary union – fiscal union – political union. Therefore, one of the consequences, and I include it on the side of costs, will be the emergence of a fiscal and political union. And the justified question is: do we really want it? Do we really want a political union? It seems to me that we shouldn't be guilty of a dreadful sin when we raise that question or even give a qualified answer to that.

The existence of a monetary union without political union means that states delegate monetary policy to a supranational agency. It can be neutral in my understanding only on condition that there is a unified economic interest. It is, however, a very problematic assumption to expect anything like that when we look at the current European heterogeneity. I'm afraid, therefore, that the costs and benefits of European monetary union will not be equally distributed among its members which will put the newly created European Central Bank under tremendous pressure.

Recently, I had the opportunity to discuss the euro with an influential European parliamentarian. After a while, he couldn't find enough arguments in favour of EMU and the debate forced him to reveal his deeper thoughts. I understood that he didn't care about the lack of arguments for EMU because he had a strong argument against something else. He explicitly stated that EMU is against something or someone. I feel that the danger is in an undeniable undertone of anti-Americanism and anti-Asiatism in his arguments. He hopes to check the assumed global dominance of the US and the assumed economic strength of Japan and other South East Asian countries through the vehicle of a united Europe. It seems to me that he doesn't know that competitiveness has no connection with size. He forgot that the economic power of Singapore or Hong Kong is not based on a common currency or political union. We should not underestimate such ways of thinking. I am afraid that the echo of an old French adage, "*Le Defi American*", is with us again, and this is something that I do not like to hear.

This brings me to my last point. The euro, it seems to me, is a very ambitious project – and I agree it is the most important change in the international monetary architecture since Bretton Woods in 1944 – as an alternative to something else. Instead of redefining Europe integration along classical liberal ideas the idea of EMU was brought to the fore. I am convinced that Europe doesn't need unification but a liberal order. The relevant question is whether EMU brings us closer to such a goal or keeps us preoccupied with an alternative endeavour. I hope that we will concentrate on the second task with the same determination as on the first one.

Professor Vàclav Klaus, former Prime Minister of the Czech Republic, is now President of the Chamber of Deputies in the Parliament of the Czech Republic.

BOOK REVIEWS

Will Europe Work

by David Smith, Profile Books, 263pp, 1999, ISBN 1-86197-102-8, £8.99

Reviewed by Charlie Methven

Today's newspapers are tomorrow's fish and chips wrapping, and this can also be said of most 'current' head scratching on the European economy. David Smith wrote this book, Will Europe Work?, before the euro was launched and he would hardly be human if he wasn't just a teensy weensy bit anxious as to whether everything is going to pan out as he has precociously predicted.

I must first dispel any fond images of an extended, big screen version of the *Sunday Telegraph's* 'Christopher Booker's Notebook'. This is a serious – if earnest – effort to answer the question of whether, with the euro, more or less of us will be in work. That's the bottom line, but it might take the casual bedtime reader just a bit of line perusal to realise this. If jargon could be weighed, you wouldn't want to drop this one on your foot.

That said, Smith dodges the usual euro clichés niftily and assiduously, and for that, at least, we should be grateful. Payback comes in the form of a wagon load of those frustrating charts and lists so beloved of economists. A compass and sturdy walking shoes are necessary but, armed with these essentials, clear blue sky is visible above a jungle of facts.

The Elysian fields are, according to Smith, the never-never-land of the United States of America's job creating economy. Can Europe do it? Does it want to do it? Is the political will in our part of the world sufficient to let it happen?

First, and usefully for those of us who have chewed the fat on these questions with euro enthusiasts, he dispels their leitmotif of America's job creation as one of burger flippers, cheerleaders and roadsweepers.

70% of the jobs created in America in the last ten years have paid above the median wage. If Tony could boast such an average for the 'New Deal', we would never hear the end of it. So that's that: no argument. The American labour market has supplied jobs "at all skill levels, from genuine rocket scientists to hamburger flippers".

What Smith does note is that the prosperity gap has increased in America. Further, Willy Loman syndrome is a truism in that, to stay where they are, American workers are having to work harder and harder.

Gulping all this in, Smith drags the reader to the surface for a breath of fresh air. For, he says, the American system is still the model we should be aiming at, albeit with modifications if necessary.

As he cunningly points out, the American model is a dangerous spark to play with. Many is the Europhile who, under fire, posits Uncle Sam's dollar as an example of how a federal currency can work in a large and disparate geographical area. Smith agrees but, acidly, points out the necessity of keeping that spark under control. The Americans, he says, have in-built safety valves: wage flexibility, geographical mobility and the ability to transfer fiscally if necessary. If, and the author advocates most devilishly here, EMU has these muscles, then the body can be a strong and able one.

Alas – weeping crocodile tears – Smith shows systematically how different the European economy will be and in such a way that it is difficult to argue: "When the Californian defence industry contracted over the 1990–94 period, 1.2 million people left the state." Can Europeans ever do the same in the hope and expectation of finding work elsewhere? Smith is adamant that they neither can nor will: "there is no modern [European] parallel to the big population movements of the US, driven by the stick of redundancy and the carrot of employment elsewhere."

His crucial point is that, when European employment is high and the need for mobility greatest, the 'jobs for the boys' ethos is likely to be especially high. Governments elected by their own states could not allow it to be otherwise. He then adds this to a severe language problem and says that these problems are insurmountable at present: "An EC survey found, in 1995, that two thirds of EU citizens did not wish to seek employment elsewhere because they wished to stay at home." In Germany, the country with some of the best language skills, more than 70% cited language as a reason for not seeking jobs elsewhere. We can only guess what a similar survey would reveal in our own back yard.

The next 'safety valve' could be wage flexibility: the ability, in times of recession in particular, of companies to continue to employ workers but on lower real wage levels. Smith ruefully dismisses the practical working of this out of hand: how can the Europe which, through the Social Chapter, is increasing wage regulation ever be serious about flexibility? The central, spectral political conundrum faces us for the first time here, even if the author is too polite to raise it. The only way for the (macroeconomic) euro to work would be the adoption of broadly right wing micro-economic policies. Unfortunately, the prevailing centre-left see the EU as a way to bring in policies they have always wanted, as a fait accompli, even is those same ideas are to the detriment of (their) euro project.

Fiscal transfer is the last ghost which Smith nails to the coffin. He rightly says that if, as is the case in regions within European states, there was a political acceptance of helping the poorer regions out, then everything might just about be OK. Sadly, England will just about buy subsidising less fortunate parts of the UK, they are less inclined to think kindly of bunging cash to Greece: "West Germans did not relish paying taxes, even to support their cousins in the eastern Länder," Smith notes. How, and leaves the implicitly answered question hanging in the air, will they like subsidising those to whom they have fewer cultural ties?

And so, and I blunder through David Smith's carefully laid safeguards, we come to his conclusion: that without mobility, flexibility and large scale fiscal transfer, the euro will be "an interesting experiment doomed to failure".

There's lots more useful stuff in *Will Europe Work?* than I have outlined. In particular, Smith's psycho-economic study of the American stick and carrot incentives to work is fascinating.

There's no point, though, in disguising the fact that Smith's book is a bit porridgy. It's dam' good fer yer, but takes some digesting and isn't that attractive at first glance. Do take this with a pinch of salt though, because it's very much the nature of the beast.

The SMF, who sponsored his research, are the earnest, worthy types to plough through *Will Europe Work?* regardless. For most of us, it provides a confident articulation of many of our fears, and it would be a welcome surprise if euro enthusiasts could bring themselves to discuss the economics of the single currency in such a mature fashion.

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Conservative MEPs and the European People's Party: Time for Divorce

by Jonathan Collett and Martin Ball, Bruges Group, 1999, £3.95

Reviewed by Allan Lloyd

There are no doubt many people who think of the political pamphlet as belonging to history. The phrase conjures up thoughts of the great eighteenth century polemicists; Swift, Defoe, Paine and others. Latter-day pamphlets, although plentiful, may be seen as a quaint anachronism in the modern, global, electronic world. *Conservative MEPs and the European People's Party: Time for Divorce* by Jonathan Collett and Martin Ball turns that complacent view on its head; here is a pamphlet that has found its target and made an impact.

The question of the affiliation of the Conservative MEPs after the 1999 election was one that kept cropping up throughout the campaign. Surely the EPP is an avowedly federalist party and therefore at odds with the Tory policy of opposing monetary and political integration? The candidates had all pledged their support for William Hague's popular policy of opposing EMU and further surrender of power to Brussels. But can they be trusted? Once elected, will the MEPs claim that they must rejoin the EPP to "give the centre-right dominance over the Socialists"? With the exquisite timing of a Graeme Hick cover drive or a Stephen Hendry screw shot, this booklet forces the subject into the open and illuminates it in a harsh, revealing light.

The authors set out to demonstrate that the Conservative Party now has a profoundly different view of the European Union from that of the centrist Christian Democrat parties of the continent that make up the EPP. In so doing they highlight the dissimilarity between the nature of the parties and between the systems of government in which they operate. The Christian Democrats of Europe are founded on their religion and the acceptance of interventionist statism, whereas the secular Conservative Party, whilst firmly based on the Judaeo-Christian ethic, deliberately eschews denominational links and espouses free-market liberalism. Equally the Anglo-Saxon democratic model of government does not correspond to its administrative counterpart on the continent.

The value of this pamphlet will remain beyond the immediacy of the re-affiliation debate, as it provides an excellent "quick guide" to the history and policies of the EPP. One of the features of recent European discussion is that while British Euro-enthusiasts have mastered devious obfuscation, continental politicians have always been remarkably open and honest about the real purpose and direction of the EU. The authors have collected ample material to explain the political approach and individual policies of the EPP, and contrast these policies with those of the Tory Party in a neat table. The official history of the EPP, written by a former Secretary-General Thomas Jansen, is extensively quoted to good effect.

The chapters of the booklet which examine the relationship between Conservative MEPs and other parties in the European Parliament, and with the Party back home, highlight the efforts being made to create pan-European "political structures" (i.e. parties) to give the federal superstate the veneer of a democratic mechanism: they also show up the utter folly of such a plan. The EPP was initially suspicious of allowing the Tory members to join, even after the intractable stumbling block of Margaret Thatcher's leadership had been removed; however they soon realised what an enthusiastic group of federalists their new friends were. Meanwhile, throughout this decade increasing disquiet has been expressed by the Conservative Party membership in this country about the true loyalties of their elected representatives in Strasbourg.

It has been the mantra of successive political leaders in this country that we must be fully involved in the European Union in order to "have influence". Indeed the word "influence" has tended to rival "inevitability" for frequency in recent Europhile posturings. The authors look closely at this question of influence, as it applies to the EPP/Tory Party relationship. They quote Jansen who declares that "allegiance … to the political programme … is a duty to those who have joined the EPP from other traditions." This rigid adherence to the continental Christian Democrat line, with no room for compromise, gives the lie to the oft asserted claim that we can "build the sort of European Union we want" or that things in Europe "are moving our way". In the booklet it is argued that if the Conservative MEPs are prepared to join a group with which they fundamentally disagree just to achieve "influence", they might as well sit with the Socialists! Ultimately, though, this point about influence leads to the key question: if we British cannot alter even the thinking of the parties within the European

Union, what hope have we of altering its overall direction?

Time for Divorce displays clear reasoning and extensive research throughout, but the real nugget is contained in the conclusion. Having comprehensively demolished any claim that the Conservative group could comfortably re-establish links with the EPP, the authors then look to the positive by proposing three alternatives: all straightforward, practical and possible. The Tory MEPs could form their own group, they could join the extant and respectable Europe of Nations group, or they could ally themselves with the Gaullists to form a coalition. The smear stories that rejection of the EPP would lead to the Conservatives being in alliance with alleged Italian neo-fascists are utterly groundless.

Collett and Ball have exposed with surgical precision the federalist cancer of the EPP within the body of the Conservative Party. A successful cure depends on the Party leadership enforcing the decree absolute that this booklet demands. In years to come, historians may look back on this crucial period in British history and conclude that the political pamphlet enjoyed a revival; if so, *Conservative MEPs and the European People' Party: Time for Divorce* will feature most prominently in any such conclusion.

Alan Lloyd is a businessman and landowner.

The UK and the Euro – Better out than in?

IoD Research Paper by Graeme Leach, 1999, £5.00

Reviewed by Russell Lewis

This is the nearest thing I have seen in recent times to a Eurosceptic's bible. It is enormously useful, being comprehensive and thorough while still remaining of manageable length. It abundantly fulfils its promise to examine the case for the euro, showing that for every argument in favour there is a more robust counter-argument.

It is divided into three sections. The first rebuts inevitability theories, putting in perspective a favourite theme of the Europhiles that the UK has been slow to join European integration in the past only to come on board later on less favourable terms. The second section contains positive theories claiming clear net benefits, such as lower interest rates resulting from integration. The third examines negative arguments for out joining EMU- such as lower foreign direct investment which EMU membership is supposed to avoid. If I put in all the excellent counter-arguments that are made under all these, there would not be room for this article in this journal. Yet deciding what to emphasize is difficult because one is spoilt for choice. However the trees never obscure the wood. Amidst the plethora of polemics which are mainly economic the author never loses sight of the big issue – that joining or not joining EMU is a profoundly important *political* step "an irreversible decision, a permanent marruage". It is also one in which, he rightly points out, the supporters of EMU entry are largely the political, or perhaps one should say the chattering classes, while the general public is hostile or indifferent. The best indication of this was in the recent British elections to the European Parliament in which the Tories gained because they wanted to keep the pound..

At the popular level the main focus of pro-EMU propaganda has been on the promise that it will bring lower interest rates. This is not necessaruily the case. Although it is true that UK short term interest rates are higher than those in Euroland, the longer term real interest rates, which are what matter for people taking out a mortgage, tell a different story. Allowing for inflation, ten-year German government bonds are now yielding more than ours. In other words the market is forecasting higher future interest rates in Euroland than here. But leaving that aside, low interest rates are not an unmixed blessing in all situations even for borrowers. For borrowers are also taxpayers and here we come to Sir Alan Budd's 1 per cent rule – the rule of thumb that for every 1% change in interest rates there would need to be a fiscal offset of roughly 1% of GDP. So suppose that joining EMU did mean a fall of 1% in interest rates, we would need to raise taxes by £20 billion, which is surely politically impossible. The point is that the level of interest rates that the UK needs is different from what's required by the Germans, because our economic cycles are not synchronised. Very likely, if we had a sudden plunge in interest rates now, with the housing market already bubbling, there would be a repeat of the boom/bust experience we endured when Chancellor Lawson lowered interest rates in order to shadow the deutschmark. It looks as if that is precisely what is in process of happening to Ireland at present where the housing boom is under way and really calls for credit restraint but where interest rates are being lowered to meet the requirements of the EMU system of one interest rate fits all.

What would make the EMU regime particularly harmful for Britain is that our financial structure is such that the impact of interest rate changes is much more dramatic than on the continent, so in EMU we would find not greater stability but greater volatility.

The booklet does a neat demolition job on the proposition of the EMU enthusiasts that the price transparency of the single currency would boost competition and increase efficiency. In fact the transaction costs it saves are equivalent to a one-off gain of 2% of the EU's GDP. But this is more than offset by the estimated costs of changing over to the euro of between 3% and 7 %. Yet, that is without considering the even more horrifying costs of further harmonising of our national business regulations with our sclerotic partners, estimated by the European Forum as at least 9% of GDP.

The Europhiles are very defensive about our being forced as a member of EMU to harmonise taxes to accept the punitive rates prevailing among our neighbours. There is ample evidence, extensively quoted here, that this is the clear and undisguised intention of our partners. Currently the UK has the lowest tax misery index in the EU. If, however, we join EMU there will be much wailing and gnashing of teeth. Yet harmonising at the current rates would be just the start. For thereafter we would have to take our share of the huge pension commitments particularly of the Germans and the Italians. And, looking ahead it

would get still worse. Even on present calculations by 2030 in Italy there will be as many pensioners as workers. However scientists generally believe that various advances in medicine etc. will allow today's babies to live to 130!

What puzzles me is how serious politicians in this country can even consider getting more closely involved with countries which are suffering in more extreme form than we are the modern disease of overgovernment so that Continental Europe is already turning into the world's unemployment blackspot. The pressures exerted by short-term politicians bidding for voted, interest groups clamouring for protection and state subsidies and bureaucrats building empires are unrelenting in the direction of continuing growth of the state burden, with any member state which seriously attempts to lighten that burden being automatically accused of "social dumping". If the Euro-enthusiasts could offer a prospect of federation which meant lower taxes all round and the prospect of their going even lower, they would at least deserve a favourable hearing. Small chance! The European Union is irredeemably set on the path of falling competitiveness, higher taxes, rising protectionism, diminishing incentives to work or create and waning living standards. If we are to survive and prosper it will only be through weakening if not severing the bonds which bind us to this latterday continental system. All who wish to understand the full extent of this threat to our future freedom and wellbeing should acquire, read and fully digest the contents of this admirably lucid, well-documented and compellingly argued study.

Russell Lewis is a regular contributor to the Journal and a member of the UK Advisory Board

€EUROWATCH

At the end of June, the mood in the currency markets was more positive for the euro. The ending of the war in Kosovo seemed to have little impact, despite having been blamed as a causal factor in its decline. It was more the case that the euro was beginning to look cheap as it neared parity with the dollar. Some economic indicators suggested that growth in Europe was beginning to pick up. Asia was recovering and Asian central banks were buying euros, on technical analysis, to help rebuild their reserves. The Bank of Japan, worried that a strong rise in the Yen will damage the Japanese economy's fragile recovery, was also in the market. So as to counteract the recent appreciation of the Yen against the dollar, it has been selling Yen and buying dollars and euros. The euro, at these lower levels, is making Europe more competitive and may, perhaps, be instrumental in turning round the stagnating growth figures.

Supporters of the euro say it is logical for the new currency to have fallen from its opening levels in January. The component currencies had been overbought on a wave of enthusiasm in the run-up to the euro's launch so that the entry levels set initially were unrealistically high. Current levels for the euro are more in line with longer term trends. The French franc, for example, was at the same levels now as it was a year ago.

But to argue that the entry levels for any or all of the 11 component currencies were incorrect is not tenable. The exchange rates were indeed somewhat arbitrary, as full economic convergence had not been achieved. Nevertheless, the rates were fixed irrevocably on 1st January. Romano Prodi joined the company of European officials to shoot themselves in the foot when he suggested the rate set for the lira was too high, given Italy's higher level of inflation compared to the rest of Europe. He even dared to suggest that Italy may be forced to leave the Eurozone if the exchange rate it was locked into led to a loss of competitiveness over time. This was saying the unthinkable. There is no exit route from the euro. But Italy has already managed to renegotiate its budget deficit target for this year which, under the Stability Pact, was also supposed to be incontrovertible. Italy is now allowed to overshoot its budget deficit by up to 2% but the ECB has complained that France and Germany have not been rigorous in maintaining their deficit targets either.

Unhelpful comments, particularly if coming from the President Elect of the European Commission, are causing a severe credibility problem for the euro. This is why the ECB put a 16 year moratorium on the minutes of its Monetary Policy meetings. Since its committee comprises members from the 11 euro member states, any views put forward would be seen as expressing national interests. The ECB is trying to develop an image of a European institution independent of national interests. In this respect, so far, it seems to be succeeding. Unfortunately, Europe's politicians keep handing it a poisoned chalice.

Though there has been some stabilising on the currency markets, it is too early to say whether the single currency is at last finding its feet. The many worrying negative factors may outweigh recent support for the euro which, if founded mainly on technical chartist calculations, commonly used by financial analysts, may yet prove only short term. Growth in the European economies may be given a competitive boost by a lower exchange rate but it is difficult to see how significant growth can be achieved while unemployment remains so high and labour markets so inflexible. Flexible labour markets, and ready mobility of labour between regions, are major conditions of an Optimal Currency Area. This fact does not seem to concern European legislators who pile more restrictive regulations, such as the Working Hours Directive, or France's maximum 35 hour week, on top of already high labour costs. Hiring is costly and firing is difficult in Euroland, limiting incentives for the private sector to achieve job creating growth. Mr Blair may have been prompted by political concerns after his poor outcome in the European elections, rather than by economic considerations, but he is right to back off from Britain's early entry into the euro.

Lynette Swift

The Rule of Law

by David Radlett

For some years now I have asked my law students to distinguish between two ideas. The first is the 'rule of law', a constitutional theory that operates at a number of levels.

As a political principle, the rule of law seeks to command those in government – central government, Parliament and in the judiciary – to refrain from retrospective legislation and the making of vague or excessively discretionary law.

As a legal principle, the rule of law dictates that all people – governors and governed – are answerable to the law, and that those in government are bound to act according to law, or not at all. The ruling of the House of Lords in M –v– Home Office [1993] 3 WLR 433 to the effect that the Home Secretary had to obey an injunction demonstrates the first point. The second point was first made in the old case of Entick –v– Carrington (1765) 19 St Tr 1044. In Entick the court ruled that the Secretary of State had no power to issue a general search warrant without identifying a legal principle upon which that action could be justified. In *Constitutional Law: A Critical Introduction,* Professor Ian Loveland described these and the other common law principles as "the implied terms of the government process".

The second idea is that of the 'rule of judges'. This addresses the position taken by judges who appear to place themselves above the law, making it up as they go along. This was seen, possibly, in the series of asylum seeker cases, starting with R –v– Secretary of State for Social Services ex parte JCWI and Another, *The Times* 27th June 1996. In this case the Court of Appeal had to consider the validity of a statutory instrument, approved to their shame by both Houses of Parliament, which withdrew social security benefits from asylum seekers. On the face of it, an Act of Parliament appeared to authorise the making of the statutory instrument. The Court ruled that it was invalid as it breached general principles of international law and was "so draconian" that it "has to be illegal." The first problem with this ruling was that, broadly speaking, international law can only be applied by a domestic court when it has the approval of an Act of Parliament. The second problem was that, draconian or not, as the statutory instrument itself appeared to have the backing of an Act of Parliament, and since both the statutory instrument and the Act had received Parliamentary approval, the Court appeared to be placing itself above Parliament in the hierarchy of law-making. This is a proposition which, in the words of Lord Justice Diplock in BBC –v– Johns [1965] Ch 32 C/A, appeared to reverse the result of the 1688 revolution.

> … it has been seriously suggested that there is no legal bar to re-appointing any of the resigning commissioners.

Parliament responded by passing the less draconian Asylum Act 1996. This was subjected to challenge in R –v– Hammersmith & Fulham LBC *ex parte* M and other cases, *The Times* 10th October 1996. In that case the High Court did not refuse to apply the Act of Parliament. Instead, it re-interpreted the National Assistance Act 1948 so that local authorities were obliged to support asylum seekers, even though the national government was free from such obligation. The difficulties here were also twofold. The first problem was that the courts had previously interpreted the 1948 Act so narrowly that Parliament was compelled to pass the Housing (Homeless Persons) Act 1977 (now part of the Housing Act 1985 as amended) to ensure that vulnerable people including asylum seekers obtained such help from local authorities. The second problem was that the new interpretation of the 1948 Act was at best a thinly disguised ploy to avoid the consequences – however undesirable – of the Asylum Act 1996. The Court of Appeal upheld this decision (reported in *The Times,* 17th February 1997), although they closed a loophole which would have allowed even a temporarily impecunious law lecturer to seek a handout from his local authority.

The central point in all this is that the rule of law is an accepted touchstone of democratic government. However, the rule of judges – no matter how well intentioned they may be – is neither more nor less than tyranny.

The issue ceases to be a dry or technical matter for lawyers to bore others with when put into the context of the recent resignation of the European Commission, and the suggestion that commissioners who are untainted by the Middelhoek Report should be re-appointed to the new Commission.

Had the European Parliament lifted its collective snout from the Euro-gravy boat for long enough to sack the Commission under Article 144 of the Treaty of Rome, it is generally accepted that re-nomination of the untainted commissioners would not have been a problem. A sacked Commission must be replaced in accordance with the procedure in Article 158, which does not preclude re-nomination of outgoing commissioners. The Member States could even have re-nominated the entire Commission, though as Chris Buckwell points out in *European Law* (Ilex Tutorial College, 1998) this would "certainly precipitate a constitutional crisis in the Community".

There is, after all, an extent to which it is possible to sympathise with the untainted commissioners. Neil Kinnock's remark to the effect that he accepted collective responsibility but not collective guilt sounded a rare note of honour amongst the wails of "not me guv'nor" which set the tone for the outgoing President, amongst others.

The question is whether this sympathy can justify a breach of the rule of law. Article 159 of the Treaty of Rome deals with the compulsory retirement or resignation of a Commissioner. It provides that "The vacancy thus caused shall be filled for the remainder of the member's term of office by a new member." A "new member" cannot be the resigning member. This is a clear and unequivocal result of the language used in Article 159. If the rule of law has any meaning in the context of the European government, it would dictate that no resigning member of the Commission could be re-appointed by the Member States.

Nevertheless, it has been seriously suggested that there is no legal bar to re-appointing any of the resigning commis-

sioners. Professor Anthony Dashwood, a prominent authority on European law, has observed that:

> *"The authors [of the Treaty of Rome] must have assumed that members who resigned would not seek reappointment: hence reference to 'a new member'" (*The Times *24th March 1999).*

The rule of law dictates that those in government are bound to act according to law, or not at all. Like it or not, the law in this instance is the Treaty of Rome. Professor Dashwood's assumption about an alleged assumption made by its authors is not law, nor is it based on law. It is no defence that the impugned action seemed like a good idea. Doubtless the UK authorities in Bennett –v– Horseferry Road Magistrates Court [1993] 3 All ER 138 thought it was a good idea to effectively kidnap a suspect *en route* from South Africa to New Zealand. In staying the criminal proceedings against the suspect, Lord Griffiths noted that:

> *"[T]he judiciary accept a responsibility for the maintenance of the rule of law that embraces a willingness to oversee executive action and to refuse to countenance behaviour that threatens either basic human rights or the rule of law."*

So the rule of law recognises that government requires restraint by something more potent than its own discretion. Professor Dashwood seems to take another view. He suggested:

> *"The case of a resignation* en bloc *followed by individual reappointment seems not to have been expressly provided for. That being so, it would be wrong to interpret the treaty as fettering the political discretion of those choosing the members who will hold office until January 2000."*

It might be thought that the whole purpose of a constitution was to fetter political discretion in exactly this way. Of course there must be some leeway. In other jurisdictions, like that of the United States, the doctrine of implied authority has been developed so as to allow Congress to exercise authority that is implied by specific grants of power. However, such a doctrine rests on the existence of such specific power. Chief Justice John Marshall noted that implied authority could not arise in respect of an end which was prohibited by, rather than consistent with the letter and spirit of the constitution. Filling a resigning commissioner's place "by a new member" is consistent with the letter and spirit of the Treaty of Rome; filling such a vacancy with the resigning member is not.

Professor Dashwood seeks other justifications. He goes on to note that:

> *"Ministers who resign under a doctrine of collective responsibility are not thereby disqualified from holding office in the next government. The hurdle they must face is a political, not a legal one; and so the Court of Justice would surely find it must also be so with the Commission."*

This is an odd remark. Apart from the recognition that the Court of Justice will do what it likes, unconstrained by legal principles or political morality, it rings thoroughly untrue.

The primary objection is that the doctrine of collective responsibility is not a legal principle but a constitutional convention. Any first-year law student would be able to identify the essential feature of a constitutional convention – that the Courts cannot enforce it. The closest an English court has come to enforcing the convention of collective responsibility was in the Crossman Diaries Case [1976] QB 752. The Court of Appeal found that the convention created an obligation of confidence, which it then refused to protect on the facts of the case. The unenforceable nature of a constitutional convention dictates that, if it is disobeyed, steps must be taken to turn it into a law. This is not a peculiarly British phenomenon. George Washington and Thomas Jefferson both declined to seek a third term as US president. This was taken to have established the 'two-term' principle. After Roosevelt's departure from that principle, the US Congress proposed the 22nd Amendment to the Constitution which, when adopted in 1951, turned the unenforceable principle into law.

So a convention of collective responsibility in the context of the Commission, even if established by the 1999 resignations alone, ought not to dictate to a court of law the outcome of a case argued on the basis of the rule of law.

Even if it is otherwise – and the standing of the Court of Justice as a court of convenience rather than a court of law makes this possible – Professor Dashwood's reasoning fails on another ground. Ministers who resign under a doctrine of collective responsibility are not disqualified from holding office in the next government because they must have won a public election putting them back in that office. It must be common ground that commissioners in that capacity will not recognise a democratic vote if it pokes them in the eye. The rubber-stamp of approval by a Parliament that will vote for anything with 'European' in its title is no substitute for endorsement by the people at an election. The analogy is therefore a false one.

Perhaps Professor Dashwood meant to refer to the convention of individual ministerial responsibility. There, issues like the rehabilitation of resigning ministers like Lord Parkinson or Peter Mandelson do not turn directly on the outcome of a public election. Unless an administration is terminally tainted with the odour of 'sleaze' the readmission to office of an ex-minister after serving a 'time-out' is unlikely to affect its chances of re-election. However, a 'time-out' seems to be required. The resigning commissioners are still in place. The convention of individual ministerial responsibility does not seem to assist.

The most sobering thought is this. If Professor Dashwood's arguments are accepted by the governments of the Member States and some of the resigning Commission are re-appointed, it is unlikely in the extreme that any legal challenge will occur. Although the Court of Justice may be predisposed to dispense with the requirements of the Treaty of Rome in the name of "ever closer union," it is unlikely to grant such dispensation to a person seeking to challenge the legality of an Institution's appointment. There is no obvious channel of challenge allowed by the Treaty of Rome, and the purpose of "ever closer union" is unlikely to be served by creating one out of, say, Article 173 of the Treaty. Such are the perils of government by discretion and dispensation.

David Radlett is a Lecturer in Law at Mid Kent College of Higher and Further Education. He is a regular contributor to the Journal.

The Cologne Summit

Largely ignored in the euphoria at the end of the war, the Cologne summit contains a raft of conclusions which are extremely significant. The most important are as follows.

EU Charter of Fundamental Rights

The summit has affirmed the EU's commitment to establishing an "EU Charter of fundamental rights" and bringing this into the structure of the EU's legal order. It is obvious that such a move will completely destroy any lest vestiges of national political and legal independence since all aspects of criminal and civil law will henceforth come under the aegis of the European Court of Justice.

Tax harmonisation

Despite assurances from the Chancellor that Britain opposes the withholding tax, the summit reported that "good progress has been made in discussions on the proposals for directives on the taxation of investment income". The presidency conclusions added that the Council (a) would "continue discussions on the proposals for a Directive on the taxation of savings and a Directive on interest and royalties so that agreement is reached before the Helsinki European Council" (i.e. before the end of this year); (b) "continue its work on a framework for the taxation of energy"; (c) "welcomes the second progress report on reinforced tax policy cooperation and invites a third report by the time of the Helsinki European Council".

Employment pact

The EU summit decided to combat unemployment by … holding more summits. In previous summits it has agreed on the "Cardiff process" and the "Luxembourg process"; now it has added the "Cologne process" and has set up a "Macroeconomic dialogue". The *langue de bois* is truly terrifying. Readers with strong stomachs are invited to look at the Presidency conclusions on the EU's website (under "Council") at the following address: http://ue.eu.int/newsroom/main.cfm?LANG=1

Stability Pact for Balkans

The EU chaired a separate meeting in Cologne attended by EU foreign ministers, the Commission, foreign ministers of Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Romania, the Russian Federation, Slovenia, the former Yugoslav Republic of Macedonia, Turkey, the United States of America, the OSCE Chairman in Office and the Representative of the Council of Europe in a "Conference on South Eastern Europe". The former ministers of Canada and Japan, Representatives of the United Nations, UNHCR, NATO, OECD, WEU, International Monetary Fund, the World Bank, the European Investment Bank and the European Bank for Reconstruction and Development also attended, as did an alphabetti spaghetti of other organisations.

The purpose of the meeting was to draw up a "Stability Pact" which aims to "achieve stability in the whole region". The means by which Europe hopes to achieve this vast programme is by creating a "South East European Regional Table" to manage the politics of the whole space between the Danube basin and the Bosphorus. It will hold out to the countries of the Western Balkans the prospect of EU membership. The price tag? Some £20 bn probably.

Common Defence and Foreign Policy

The Cologne summit made a significant stride towards creating a common European foreign policy when it appointed a High Representative for that policy, the former Secretary-General of Nato, Javier Solana. The presidency conclusions say, "the Union must have the capacity for autonomous action, backed up by credible military forces, the means to decide to use them, and a readiness to do so". To this end it may instigate regular meetings of EU defence ministers and create "an *EU Military Committee* consisting of Military Representatives making recommendations to the Political and Security Committee; an *EU Military Staff* including a Situation Centre; other resources such as a Satellite Centre, Institute for Security Studies" [emphases added].

… news in brief

The cock crows for Dehaene

Belgian premier Jean-Luc Dehaene, the longest serving prime minister in Europe, whose name means "the cockerel", has handed his resignation in to King Albert II, following the poisoned food scandals in his country in which butter, eggs, milk, beef, pork and now even Coca-Cola were found to be poisoned. Dehaene also presided over the paedophile murder scandals in which members of the Belgian police and judiciary were implicated. In the early 1990s, Mr Dehaene was the favourite among other European leaders to succeed Jacques Delors as president of the European Commission, a post he would have been given if Britain had not vetoed it. [*Handelsblatt,* 14th June 1999]

Sarkozy resigns

The leader of the RPR Gaullist party, Nicolas Sarkozy, has resigned following his party's disastrous showing in the European elections. Before the poll, Sarkozy had said that if his list, which combined forces with Alain Madelin's liberals, won 17% it would be a mediocre result; if it won 16% it would be very bad. The final result was 12%, less than the breakaway Gaullist list led by Charles Pasqua and Philippe de Villiers. The Gaullists had been shaken to the core shortly before the European elections by the surprise resignation of their former leader, Philippe Seguin, who left in protest at what he alleged were Jacques Chirac's attempts to sabotage him. [*Le Monde,* 15th and 16th June 1999]

Glad to be European

The Danish and Dutch parliaments are passing laws to allow homosexual couples to adopt children, just as the French parliament is legislating in favour of "gay marriage". There is thus some harmonisation of European legislation on homosexual unions. But the Amsterdam treaty could accelerate it. Article 13 of the treaty forbids "all discrimination based on sexual orientation": a gay couple wishing to adopt a child could therefore appeal to the European Court on this basis. If a country refused to comply, it could activate the "lynch mob" clause in Amsterdam, article 7, which allows the EU to suspend all rights of a member state (while retaining all its obligations as a member of the EU) if it "violates fundamental human rights and liberties". [*Argumentaire européen,* 21st May 1999]

Taxing the tips

The European Commission has again taken France to the European Court of Justice to try to make it charge VAT on the service charge paid in restaurants and hotels. [*Argumentaire européen,* 26th May 1999]

The European Foundation

The *Great College Street Group* was formed in October 1992 in order to oppose the Maastricht Treaty. The group, consisting of academics, businessmen, lawyers and economists, provided comprehensive briefs in the campaign to win the arguments in Parliament and in the country. The European Foundation was created after the Maastricht debates. Its task has been to mount a vigorous and constructive campaign in the United Kingdom and throughout Europe for the reform of the EC as a community of independent sovereign states. The Foundation continues to establish links with other like-minded institutes across Europe.

Objectives

The objectives of the Foundation, set out in its constitution, are as follows:

- to provide a forum for the development of ideas and policies for the furtherance of commerce and democracy in Europe;
- to increase co-operation between independent sovereign states in the European Community and the promotion of the widening and enlargement of that Community to include all applicant European nations;
- to resist by all lawful democratic means all and any moves tending towards the coming into being of a European federal or unitary state and for the furtherance and/or maintenance of such end;

Activities

The Foundation pursues its objectives by:

- organising meetings and conferences in the UK and in mainland Europe;
- publishing newsletters, periodicals and other material and participating in radio and television broadcasts;
- producing policy papers and briefs;
- monitoring EC developments and the evolution of public opinion and its impact on the political process in the main EC countries;
- liaison with like-minded organisations in other EC and EC applicant countries and elsewhere;
- liaison with trade associations and other professional bodies .affected by EC action and policy.

The Foundation

The Foundation addresses itself to the general public and to politicians, journalists, academics, students, economists, lawyers, businessmen, trade associations and the City.

It concerns itself with the following main topics:

- industrial and commercial policy;
- economic and monetary matters;
- foreign policy;
- security and defence;
- environmental issues;
- the Common Agricultural Policy;
- the reform of Community institutions;
- the developing world.

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