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THE EUROPEAN JOURNAL

The Journal of the European Foundation



Dr Ruth Lea
The Convention on the Future of Europe and the Constitutional Treaty

&

Annunziata Rees-Mogg • Roger Helmer, mep
Dirk van Heck • Matthew Elliott • Pavel Erochkine
Timothy Less • Rupen Raithatha • Richard Sanders
Alex Wieland • Dr Lee Rotherham

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Contents

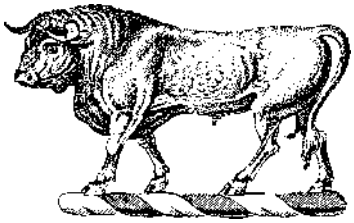
For reference, numbers on pages are as in the printed copy Articles below are hyperlinked – use the hand icon, point and click	Original Page	PDF Page
Editorial		
Solon: Forty Years of Mendacity	2	3
Up Front		
Annunziata Rees-Mogg: Facts	4	5
Dr Ruth Lea: The Convention on the Future of Europe and the Constitutional Treaty	5	6
Roger Helmer, MEP: The Beano Constitution	7	8
Dirk van Heck: The Barmy Army	8	9
Dirk van Heck: The Grand Sideshow	9	10
Matthew Elliott: Brusselsbourger	10	11
Letters to the Editor	11	12
Editorial Staff: European Referenda	12	13
In Depth		
Pavel Erochkine: Russia, the EU & the State of International Relations	14	15
Timothy Less: Life in the Slow Lane	16	17
Rupen Raithatha: The Economics of the Stability Pact	19	20
And Finally...		
Richard Sanders: reviews *The New Russian Diplomacy* by Igor S. Ivanov	22	23
Dirk van Heck: reviews *Stars and Strife: The Coming Conflicts between the USA and the European Union* by John Redwood	23	24
Alex Wieland: reviews *Lyndon Johnson and Europe: In the Shadow of Vietnam* by Thomas Alan Schwartz	24	25
Alex Wieland: reviews *The Struggle for Europe: The History of the Continent Since 1945*, by William I. Hitchcock	25	26
Richard Sanders: Lisbon	26	27
Dr Lee Rotherham: Chunnel Vision	28	29

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SOLON

sō'lon, n. a famous lawgiver of Athens (594 b.c.), one of the Seven Sages; a sage; a wisacre.

THE GOVERNMENT'S DECEIT over the European Constitution is just the latest chapter in more than forty years of official mendacity regarding the issue of Europe. In December 1960 Lord Kilmuir, then Lord Chancellor, wrote to Ted Heath on the constitutional consequences of joining the Common Market. This letter, reprinted below, shows that Mr Heath could not have been unaware that membership would entail significant erosion of British sovereignty. Heath went on to take Britain into the Common Market without directly consulting the electorate and insisted that the decision related to economics alone saying in 1972: *"There is no question of eroding any national sovereignty; there is no blueprint for a federal Europe. There are some in this country who fear that in going into Europe, we shall in some way sacrifice independence and sovereignty. These fears I need hardly say are completely unjustified."*

My dear Ted,

You wrote to me on the 30th November about the constitutional implications of our becoming a party to the Treaty of Rome. I have now had an opportunity of considering what you say in your letter and have studied the memoranda you sent me. I agree with you there are important constitutional issues involved.

I have no doubt that if we do sign the Treaty, we shall suffer some loss of sovereignty, but before attempting to define or evaluate that loss I wish to make one general observation. At the end of the day, the issue whether or not to join the European Economic Community must be decided on broad political grounds and if it appears from what follows in this letter that I find the constitutional objections serious that does not mean that I consider them conclusive. I do, however, think it is important that we should appreciate clearly from the outset exactly what, from the constitutional point of view, is involved if we sign the Treaty, and it is with that consideration in mind that I have addressed myself to the questions you have raised.

Adherence to the Treaty of Rome would, in my opinion, effect our sovereignty in three ways:
a) Parliament would be required to surrender some of its functions to the organs of the Community;
b) The Crown would be called on to transfer part of its treaty making power to those organs;
c) Our courts of law would sacrifice some degree of independence by becoming subordinate in certain respects to the European Court of Justice.

A) The position of Parliament
It is clear from the memorandum prepared by your Legal Advisers that the Council of Ministers could eventually (after the system of qualified majority voting had come into force) make regulations which would be binding on us even against our wishes, and which would in fact for us become part of the law of the land. There are two ways in which this requirement of the Treaty could in practice be implemented:

1. Parliament could legislate *ad hoc* on each occasion that the Council make regulations requiring action by us. The difficulty would be that, since Parliament can bind neither itself nor its successors, we could only comply with our obligations under the Treaty if Parliament abandoned its right of passing independent judgement on the legislative proposals put before it. A parallel is the constitutional convention whereby Parliament passes British North America Bills without question at the request of the Parliament of Canada; in this respect Parliament here has in substance, if not in form, abdicated its sovereign position, and it would have *pro tanto,* to do the same for the Community.

2. It would in theory be possible for Parliament to enact at the outset legislation which would give automatic force of law to any existing or future regulation made by the appropriate organs of the Community. For Parliament to do this would go far beyond the most extensive delegation of powers, even in wartime, that we have ever experienced and I do not think there is any likelihood of this being acceptable to the House of Commons.

Whichever course were adopted, Parliament would retain in theory the liberty to repeal the relevant act or acts, but I would agree with you that we must act on the assumption that entry into the Community would be irrevocable; we should have therefore to accept a position where Parliament had no more power to repeal its own enactments than it has in practice to abrogate the Statute of Westminster. In short, Parliament would have to transfer to the Council, or other appropriate organ of the Community, its substantive powers of legislating over the whole of a very important field.

b) Treaty-making powers
The proposition that every treaty entered into by the United

Kingdom does to some extent fetter our freedom of action is plainly true. Some treaties such as GATT and O.E.E.C., restrict severely our liberty to make agreements with third parties and I should not regard it as detrimental to our sovereignty that, by signing the Treaty of Rome, we undertook not to make tariff or trade agreements without the Council's approval. But to transfer to the Council or the Commission the power to make such treaties on our behalf, and even against our will, is an entirely different proposition. There seems to me to be a clear distinction between the exercise of sovereignty involved in the conscious acceptance by us of obligation under our treaty-making powers and the total or partial surrender of our sovereignty involved in our cession of these powers to some other body. To confer a sovereign state's treaty-making powers on an international organisation is the first step on the road which leads by way of confederation to the fully federal state. I do not suggest that what is involved would necessarily carry us very far in this direction, but it would be a most significant step and one for which there is no precedent in our case. Moreover, a further surrender of Parliamentary supremacy would necessarily be involved: as you know, although the treaty-making power is vested in the Crown, Parliamentary sanction is required for any treaty which involves a change in the law or the imposition of taxation (to take only two examples), and we cannot ratify such a treaty unless Parliament consents. But if binding treaties are to be entered into on our behalf, Parliament must surrender this function and either resign itself to becoming a rubber stamp or give the Community, in effect, the power to amend our domestic laws.

c) Independence of the Courts
There is no precedent for our final appellate tribunal being required to refer questions of the law (even in a limited field) to another court and – as I assume to be the implication of "refer" – to accept that court's decision. You will remember that when a similar proposal was considered in connection with the Council of Europe we felt strong objection to it. I have no doubt that the whole of the legal profession in this country would share my dislike for such a proposal which must inevitably detract from the independence and authority of our courts.

Of these three objections, the first two are by far the more important. I must emphasise that in my view the surrenders of sovereignty involved are serious ones and I think that, as a matter of practical politics, it would not be easy to persuade Parliament or the public to accept them. I am sure that it would be a great mistake to under-estimate the force of the objections to them. But these objections ought to be brought out into the open now because, if we attempt to gloss over them at this stage, those who are opposed to the whole idea of joining the Community will certainly seize on them with more damaging effect later on. Having said this, I would emphasise once again, although these constitutional consideration must be given their full weight when we come to balance the arguments on either side, I do not for one moment wish to convey the impression that they must necessarily tip the scale. In the long run we shall have to decide whether economic factors require us to make some sacrifices of sovereignty: my concern is to ensure that we should see exactly what it is that we are being called upon to sacrifice, and how serious our loss would be.

Yours ever,
David

… news in brief

Does Eurostat have its hands in the till?

As the hoo-hah about the new Constitution rages, Europe continues in its usual, corrupt ways. The latest development is that Eurostat, the EU body which produces official statistics to order for the European Commission, is embroiled in a corruption scandal. It is alleged that the body kept secret bank accounts, in which so far up to €1 million has been found. It is now believed that up to €8 million may have been salted away. The EU's own anti-corruption unit, OLAF, is investigating the matter: the charge is fraud and criminal conspiracy. The former head of Eurostat Yves Franchet and his information director Daniel Byl are suspects.

At the centre of the scandal is the company Planistat. It is a contractor for Eurostat and sells Eurostat information to companies and other private buyers. It now transpires that only 40% of the revenue went to the EU budget, and 10% to Planistat for its own administrative costs: the remaining 50% was put into these apparently secret bank accounts. This money was then used to pay bribes to companies to encourage them to sign contracts with Planistat. According to other allegations, wives and partners of Eurostat officials are believed to have appeared on Planistat's list of employees. The supplying company, Eurocost, whose president is Yves Franchet, is also under suspicion. It is alleged to have cooked its books, booked projects twice, stolen computers and office furniture.

Yet another company, CESD, which trains statisticians in developing countries, is also suspected of having irregular accounts. EU officials are said to have used CESD for their private business activities. Some €5 million of EU money flowed this way into Eurostat's coffers: it is doubtful whether this money will ever be retrieved. The EU budget commissar, the German Green Michaele Schreyer, has been asked about this repeatedly in the European Parliament. But she has been very evasive in her answers, even though her responsibilities cover the fight against corruption and the budget. Some parliamentarians are now saying that the EU budget itself is riddled with false information. The German CSU MEP, Gabriele Stauner, has called for Schreyer to resign. *"Heads must roll,"* was also the conclusion of the rapporteur for the fight against corruption, the Austrian Socialist, Herbert Bösch. Bösch even says he feels a sense of déjà –vu: the last Commission also collapsed because of corruption allegations.

The Prodi Commission was supposed to have a policy of zero tolerance for corruption. Schreyer says that she did not have the information she now has when she originally gave answers to the European Parliament on the matter; Franchet disputes this and says that she knew full well about the issue. Although Schreyer would normally be expected to serve as a commissar until the end of 2004, the Federal Chancellery has let it be known that her mandate will not be renewed. [Sylvia Schreiber, *Der Spiegel*, 25th May 2003]

FACTS

by Annunziata Rees-Mogg

Czech leaders launch EU referendum campaign

Thirty-five days before the referendum the Czech leaders launched a campaign to increase the people's interest in voting. According to the most recent polls, the majority of the Czech electorate favour membership of the EU. One of the aspects of the campaign was a 25-question quiz on the EU. Those who answered all questions correctly were rewarded with shampoo and deodorant. Bribery? No, the Czech Prime Minister, Vladimir Spindla, said, *"It is our intention to distribute information about the EU so people can make a well-informed decision in the referendum."*

Convention Press Review

Missing German Tax

The German economic situation worsened following a speech by the Finance Minister admitting that tax receipts would not reach expected levels. In a press conference in Berlin on 15 May Hans Eichel announced that for the period 2003 to 2006 the German state would take in some €126 bn less than was expected."*We face a situation, of missing taxes up to 2006 corresponding to half of the federal budget,*" Mr Eichel warned. *EU Observer*

European Manufacturing continues to slow

The recent rise in the euro has caused a depression in euro-zone export orders. However there has been a benefit in that the cost of raw material has been driven down leading to the average input prices to fall for the first time in 14 months. (European interest rates have now been cut to an all-time low of 2.0 per cent.)

This view has been strengthened by a 0.2 point fall in eurozone inflation to 1.9 per cent in May. These falls have sparked fears in Germany of deflation where inflation is now at just 0.7 per cent the lowest level since late 1999. *Financial Times* 2 June 2003

Iraq crisis and the convention

The wisdom of forming a closer Europe has been questioned by several members of the 'Convention on the Future of Europe'. The inability to form a cohesive strategy regarding the Middle East has been the most potent argument."*Iraq demonstrates the futility of the EU's pretensions,*" said Danish MEP Jens-Peter Bonde. "*We have precious little time left in the Convention to fix this.*"

Qualified Majority Voting and "loyal cooperation" have been proposed, however, this would lead nowhere in the event of another Iraq style crisis as no majority could be found if France and Germany opposed UK and Spain once again. MP David Heathcoat-Amory opposes QMV, stating, "*We must allow governments and parliaments the freedom to decide for themselves how they wish to act. It is a lesson that absolutely has to be applied across the Convention, including for instance Justice and Home Affairs.*"

Democracy Forum

Is there life on Mars?

This is no God awful small affair. Europe launched a probe to Mars on Monday 2nd June designed specifically to look for primitive signs of life on Mars. Whilst American probes will be heading there at the same time, they are not looking for the same signs and are therefore not equipped with the same high-tech robotic chemistry lab as the Beagle II which is able to analyse soil samples obtained from a burrowing 'mole'. The reason for all the present activity concerning Mars is that the red planet is at its closest point for 66,000 years.

The Beagle II project is a bargain in terms of interplanetary missions. The total cost is estimated at £216m by the European Space Agency, with savings being made by giving more responsibility to industry and by using the reliable and inexpensive Russian made Soyuz rocket rather than the hugely expensive and unreliable European version, the Ariane. However any money spent is at high risk as only half of all missions to Mars have succeeded.

BBC2 June 03

Brok challenges Giscard

There has been growing frustration amongst convention members as many feel that they have little or no influence over the Constitution. It was reported in the German paper Welt am Sonntag that Elmar Brok, the leading German Christian Democrat MEP, has been planning on collecting signatures as a way of voicing descent against both the current draft texts and the working methods of the steering committee.

Giscard and the Praesidium have been exercising too much power without enough discussion regarding the arrangement of the constitution. However, the list of signatories could present severe problems for them. Brok has demanded changes in the draft text - a text he feels left out of as 'The Convention' does not allow votes among its members. *EU Observer*

30,000 protesters near G8 summit

The usual group of protesters against capitalism converged towards the G8 summit at the beginning of the month. However they found themselves unable to reach Evian and had to be content marching around the French town of Annemasse, 26 miles from the assemblage of world leaders. The protests were on the whole peaceful, however, a violent faction caused havoc in the nearby city of Geneva, tangling with both Swiss and German police and causing large scale damage to the city centre.

Financial Times, 2 June 2003

More disagreement between France and America

Jacques Chirac, this year's G8 president, was by all accounts slightly taken aback by the latest American move to cut terrorism. President Bush wants to introduce more stringent controls on radioactive materials that could be used to produce 'dirty bombs' as well as the monitoring of aeroplanes and ships suspected of carrying such materials. President Chirac had intended the summit to focus mainly on the developing world and the environment and although this proposal does not contain anything too radical the French declined to deal with it at once claiming that the idea was, "*worth studying.*" *Financial Times,* 2 June 2003

Annunziata Rees-Mogg is Editor of the European Journal.

The Convention on the Future of Europe and the Constitutional Treaty

Institute of Directors Business Comment by ***Dr Ruth Lea***



Introduction

There is no doubt that the EU is due to change dramatically over the next few years. Next year ten countries (the Czech Republic, Slovakia, Slovenia, Estonia, Lithuania, Latvia, Poland, Hungary, Malta and Cyprus) are expected to join the EU and they will raise the number of member states from 15 to 25, and by 2007 Bulgaria and Romania are expected to be members. Turkey would dearly like to join as well – but there is strong opposition from some member states. With 25 plus countries, it has been widely accepted that the current institutional mechanisms would become too cumbersome and at the Laeken Summit (December 2001)[1] it was decided to set up a Convention for the Future of Europe, which was charged with charting a course for the enlarged EU. The Convention has 108 members with Valery Giscard d'Estaing as chairman and Giuliano Amato and Jean-Luc Dehaene as vice-chairmen. The UK's Government representative is Peter Hain and the two British Parliamentary representatives are David Heathcoat-Amory and Gisela Stuart.

The Convention's first stab at a 'draft Constitutional Treaty' was published in late October 2002 and the final 'draft' product is planned to be ready for discussion at the June summit of the European Council.[2] It will then go onto the next Inter-Governmental Conference (IGC) for further work on the draft and for the final decision on the Treaty – either later this year or, more probably, early next year. Even though there will undoubtedly be changes to the current draft, it is highly unlikely that the broad thrust and the major proposals will be changed.

The Draft Constitutional Treaty

The draft Constitutional Treaty is a radical document with huge implications for national sovereignty.[3] The proposed constitution will create a new Union, separate from member states and with its own legal personality and status. The Union will derive its powers not from member states, but from its own constitution and its law will have primacy over the law of member states. Moreover, the intergovernmental method of decision-making will disappear. It should also be noted that the law-making powers of all the EU institutions are to be substantially increased. The proposed powers, or 'competences', of the Union have been published[4] and they represent a huge extension of the Union's power. The powers are, moreover, effectively limitless.

The Treaty's key points include:

• **Common Foreign and Security Policy** (CFSP): would be an EU competence and no longer agreed on an intergovernmental basis.[5]

• **Eurojust:** this body would be set up to coordinate the member states' prosecuting bodies.

• **'Exclusive' competences:** including the ability to negotiate and sign all international agreements, common commercial policy, monetary policy for the Eurozone and the conservation of marine biological resources under the CFP.

• **'Shared' competences:** including the internal market, agriculture and fisheries, transport, energy, social policy, economic and social cohesion, environment, public health, consumer protection and the area of freedom, security and justice. (But please note the draft Treaty says that "*The Member States shall exercise their competence* only if and to the extent that *the Union has not exercised its*"!)

• The incorporation of the **EU Charter of Fundamental Rights:** the 'Charter' is very widely drawn and contains an extensive list of social and economic rights. When these become subject to the jurisdiction of the European Court of Justice (ECJ), there will be a new mechanism for consolidating power at Union level. The Charter will, for example, inevitably influence the ECJ's adjudications on employment law.[6]

• **Dual citizenship:** *"every national of a Member State shall be a citizen of the Union."*

• **The coordination of EU economic policies:** whether in or out of the euro.

Implications for Economic Management and Business

There are clear and worrying implications for the British economy and British business. They are worrying mainly because the Constitution will almost inevitably extend the regulatory reach of the EU and the EU seems wedded to the discredited and over-regulated anti-enterprise European economic model.[7] The EU's competence to *"coordinate"* economic policies (and possibly introduce further *"approximations"* or *"harmonisations"* of indirect and company taxation) should also cause concern.

Finally, the 'Charter's' provisions that deal with the labour market are so vague that they have the potential to be expanded to an almost unlimited extent. For instance, providing *"fair and just"* working conditions that *"protect dignity"* would allow 'activist' courts to impose almost any number of obligations on employers. The Charter also says that workers, trade unions and big business will have *"the right to negotiate and conclude collective agreements at the appropriate levels and, in the cases of conflicts of interest, to take collective action to defend their interests, including strike action"*. The ECJ could well use this right and make adjudications that would be against British business interests. Again much would depend on how 'activist' the ECJ was prepared to be.

This Treaty is of far greater significance for the political future of the UK than the euro and has the potential to be as economically damaging

Final Word

This Treaty is of far greater significance for the political future of the UK than the euro and has the potential to be as economically damaging. But at least we're promised a referendum on the euro! Alas, there seems to be no such referendum for the Constitutional Treaty, which will inevitably and fundamentally change the country. The IoD unequivocally calls for a referendum on this issue of supreme importance.

References

1 The Laeken Declaration setting up the Convention on the Future of Europe was explicitly integrationist: *"The Union stands at a crossroads, a defining moment in its existence. The unification of Europe is near. At long last, Europe is on its way to becoming one big family."*

2 The 'European Council' is the name given to the regular meetings ('summits') of the heads of state or of government of the EU member states and the president of the European Commission. The European Council is sometimes confused with (1) the Council of Ministers (or 'Council' or 'Council of the EU'), the presidency of which changes every 6 months and (2) the Council of Europe (a non-EU organization set up in 1949).

3 Rosemary Righter wrote in *The Times* (25 February 2003) *"the draft is so frankly and robustly integrationist that, unless it is radically amended, its effect will be to strip national self-government of all but residual meaning."* In other words, it would spell the end of independent, sovereign and democratic nation states. The Constitutional Treaty is creating a state and the member states will be effectively reduced to having 'sub-national' status. For the UK, this would mark the end of a thousand years of history as a free and self-governing nation.

4 An excellent introduction to the Treaty is Norman Blackwell's *A defining moment?* (CPS, February 2003). It includes the preliminary draft (25 October 2002) and the draft text as at 6 February 2003.

5 The three 'pillars' of the Maastricht Treaty would disappear. They are the Community, Common Foreign and Security Policy (CFSP) and Justice and Home Affairs (JHA).

6 IoD press release: 'IoD voices concern about Nice agenda' (5 December 2000), which discussed the EU Charter of Fundamental Rights – the 'Charter'. The UK signed up to the Charter at the Nice summit (December 2000). Please note the Human Rights Act (1998) incorporated the European Convention of Human Rights (of the non-EU European Court of Human Rights, which is an adjunct of the non-EU Council of Europe).

7 Over-regulation has contributed to the inexorable relative decline of the EU's economic performance as well as the eurozone's high unemployment.

Dr Ruth Lea is Head of the Policy Unit at the Institute of Directors.

… news in brief

Germany cannot balance budget

Both the German Chancellor and Finance Minister have admitted that their country's stated aim of balancing the budget by 2006 has been abandoned. The opposition immediately demanded the resignation of the Finance Minister, Hans Eichel, because balancing the budget had been part of the government's programme. These demands were rejected, even though the government's plan to balance the budget is in tatters: there is now expected to be a tax shortfall of at least 50 billion euros, if not twice that amount. There would now have to be yearly growth of 4.5% for the books to be balanced by 2006. Eichel admitted that the government would have to borrow 35 billion euros more this year than had been initially planned. It is already clear that Germany has overshot the euro stability rules for 2002 and probably in 2003 and even 2004. Eichel refused to rule out tax hikes. [*Die Welt,* 12 May 2003] The EU monetary commissar, Pedro Solbes, has reportedly said that he fears the collapse of the whole stability pact if Germany breaks the rules systematically. [*Handelsblatt,* 12 May 2003]

Dutch economy in recession

The Netherlands has formally entered recession. GDP fell by 0.3% in the first quarter of 2003, following a contraction of 0.2% in the last quarter of 2002. Investment has fallen by 6% and household consumption grew by a meagre 0.3% in the first quarter of this year, the smallest increase since 1994. Exports rose by 1.3% and imports by 3.5% but these increases are mainly due to an increase in goods transiting through the country. The government proposes to deal with this economic gloom in one of Europe's strongest economies by cutting state spending by €15 billion. [*Agence France Presse,* 15 May 2003]

The Beano Constitution

by Roger Helmer, MEP

The proposed EU Constitution, incorporating the so-called 'Charter of Fundamental Rights', will lead to a vast transfer of power from Britain to the EU, and from elected institutions to unelected, federalist judges.

Keith Vaz, MP, during his brief and rather inglorious tenure as Minster for Europe, famously told the British public that the Charter of Fundamental Rights *"had no more legal force than the Beano"*. The government would not let it become law, and would not accept a European Constitution, which might incorporate the Charter.

Another year, another change of policy. The Charter will now be given legal force within the EU Constitution, and the Labour government has accepted the Constitution in principle. They will no doubt return from the IGC (probably in December) waving a few nominal concessions and declaring another victory in Europe for British diplomacy, but the Constitution, and the Charter, will be essentially intact.

I am indebted to Professor Richard G. Wilkins of the Law School at Brigham Young University, Utah, for a masterful, scholarly analysis of the implications of the Charter, and a comparison of its provisions with the constitutions (or in our case, the unwritten constitution) of member states, and of the United States.

Professor Wilkins notes that the Charter extends the scope of EU human rights legislation into no fewer than thirteen new areas, including health, social security, child labour, disability and 'Human Dignity', and enshrines these within the Constitution. Few, if any, are covered in most national constitutions.

In most of these areas, states rely on routine legislation rather than their constitutions, and this is the best way to handle them, since the needs of society change over time, it is possible to repeal failed policies and try new ones, and the process remains under the control of elected politicians answerable to the voters.

By enshrining all these new policy areas in a European Constitution, they are set in stone and extraordinarily difficult to change, and they are put into the hands of the European Court of Justice, whose judges are answerable to no one. The Court's record shows that it has a strident commitment to an extreme Human Rights agenda, as well as a determined pro-integration stance.

This is the fundamental problem with the Charter. It will take vast swathes of public policy away from the democratic control of the British people, in two ways. First, it will transfer power from Britain to EU institutions. Second, it will transfer power from elected politicians to judges.

The Constitution appears to give some assurances on this point. In Article 8 it promises subsidiarity, and assures us that competences not conferred on the Union remain with member states. But our experience is that subsidiarity is a dead letter, and the ECJ persistently overrules national laws and constitutions in favour of European law. And Article 10 contains a comprehensive list of exclusive or 'shared' competences, and adds for good measure that shared competences may be exercised by member states only *"if and to the extent that the Union has not exercised its [competences]"*. This may be open to interpretation and legal challenge, but all our experience suggests that the ECJ will support the Union's rights over those of member states.

Professor Wilkins points out that in the USA, Constitutional Amendments which appear to ensure the rights of individual states are now accepted as no longer relevant and that, in effect, the Federal Government has taken over areas of competence not foreseen by the authors of the American Constitution.

So does this create a real problem? What, for example, is wrong with a constitutional right to 'human dignity'? So often the EU produces headlines which are all motherhood and apple pie, but where the detail text is unacceptable. Consider how the human dignity provision might be interpreted by the courts. It could be argued that it is a violation of an elderly person's human dignity to be kept on life support, subject to aggressive medical intervention to stave off death. So human dignity could, therefore, equate to a right to euthanasia. And an exactly similar argument could be applied to other controversial subjects such as abortion.

Let me be clear that I am not myself taking a position on euthanasia or abortion. I am simply pointing out that issues previously decided by parliament in Westminster will now be transferred to the ECJ. The social and employment provisions of the Charter could be interpreted by the ECJ to create detailed policy prescriptions which might go far beyond anything envisaged by the Conventioneers, and could set the European Social Model in stone.

Democracy is a delicate plant which we have grown and nurtured in Britain over centuries. Many of our partners in the EU have endured totalitarian régimes in my lifetime. Their democracies are more recent and more fragile than ours. This new Constitution and Charter will sweep away democracy as we understand it, and replace it with government by the judiciary.

Yet Labour says it will not give the British people a referendum on this massive constitutional change – a surprise given that this government has staged referenda on relatively minor programmes of devolution in Wales and Scotland. With breathtaking mendacity, it insists that the Constitution is no more that *"a tidying up of the existing treaties"*, with no major constitutional impact.

I believe that all who value freedom and democracy should campaign as never before for a referendum

How should we respond? I believe that all who value freedom and democracy should campaign as never before for a referendum. If we fail in that objective, then the Conservative Party, as the main opposition, should do two things.

First, it should make the 2004 Euro-elections a *de facto* referendum on the EU Constitution. Secondly, it should state clearly and unequivocally that it cannot accept the Constitution, and that a future Conservative government will reopen the issue and give the people the choice that Labour denied them.

Roger Helmer is Conservative MEP for the East Midlands and a member of the European Foundation Advisory Board.

The Barmy Army

by Dirk van Heck

"*When I was talking about the European army, I was not joking.*" So said Romano Prodi, President of the European Commission. Anybody who still believed he was should by now have shed this delusion. The Convention on the Future of Europe has now produced its 'Draft Articles on External Action', detailing the envisaged future of the Common Foreign and Security policy (CFSP) and European Security and Defence Policy (ESDP) for the European Union.

Many British eurosceptics jumped for joy at the sight of the EU split down the middle over Iraq, declaring that the CFSP of Maastricht was dead. To integrationists, however, this merely signalled that the existing provisions in this area of 'EU action' (which Tony Blair insists will remain) was inadequate, and that strengthened measures and new Union institutions were required to bring about convergence. The new draft articles propose this. In accordance with the well established top-down model of EU governance, the new bureaucracies will channel together national prerogatives in this crucial area of state sovereignty to compel member states to represent the Union on the world stage and eventually produce a "*common defence*".

There will be no happy solution to the differences between Tony Blair and Jacques Chirac in this area. Both favour a Common Foreign and Security policy, but for opposite reasons: the Prime Minister wants it to bolster the Atlantic alliance whereas the President wants it to weaken it and counterbalance the US hyper-power. There can be no reconciliation of these opposite political intentions. Once the European Constitution is ratified, however, the Union's institutions will determine the policy and member states will be obliged to support it "*actively and unreservedly … in a spirit of loyalty and mutual solidarity. They shall refrain from action contrary to the Union's interests or likely to undermine its effectiveness.*" in the words of the present draft Article 14.

> It is not open to the UK, or any other member state, to go out on a limb under the constitution

If it were for member states to decide what was in the Union's interests, then Britain could argue that maintaining the Atlantic alliance was appropriate under the Constitution, as it is in the Union's interest. It is not open to the UK, or any other member state, to go out on a limb under the constitution, however. The Union's strategic interests and foreign policy objectives are to be politically determined by the Council, on a qualified majority vote, according to the present draft (i.e. they require the assent of a majority of member states, representing at least three fifths of the Union's population). The Council itself will act "*on the basis of recommendations by the Minister for Foreign Affairs … the Commission … or by both together*". The British government is at present resisting only part of this extension of QMV.

In the light of the development of the draft Constitution, the 'Gang of Four' mini-summit on the European army between France, Germany, Belgium and Luxembourg on 29th April can be seen as a piece of political blackmail. It may have met with consternation and ridicule among those not invited, but its message was clear: if you don't sign up to qualified majority voting on the CFSP and ESDP under the Constitution, the four of us will go ahead with something more serious without you. Feel threatened?

Tony Blair may think that he can displace the Franco–German alliance at the 'heart of Europe' by a coalition with the former communist states due to join in 2004 and a few others, but signing up to the Constitution's articles on external action in their present form on the basis of this self-assured faith would be a huge risk to take. The Prime Minister's stance on European defence may appear to our fellow EU members as a bit of a U-turn, given that he, together with Chirac, was the instigator of the St Malo European Defence Initiative of 1998, designed to bring about an autonomous EU defence force. Hubristic but naïve, he still believes that the gang of four can be won round. The emerging European Constitution suggests that he is wrong.

Dirk van Heck is Head of Research at the European Foundation.

… news in brief

US might attack Belgium

Belgium's pretence to exercise jurisdiction over the whole world continues to cause ructions. The head of the US army in Iraq, General Tommy Franks, was on Wednesday accused of crimes against humanity before a Belgian court.

He joins Dick Cheney, George Bush Senior, Colin Powell, Norman Schwarzkopf, Ariel Sharon and Fidel Castro, among other luminaries in the hypothetical dock.

The Israelis and the Americans have reacted furiously against the indictment of their respective leaders. The previous Israeli ambassador was recalled to Tel Aviv for consultations. The then foreign minister, Benjamin Netanyahu, called the act "*an anti-Semitic decision*", and he said that Israel had seriously considered breaking off diplomatic relations. That has not occurred, but the Sharon case is to be examined again on 27 May, despite the attempts by the Belgian government to amend the law to prevent the charges from going ahead. The Americans, for their part, have signalled their displeasure by threatening to veto the opening of the new NATO HQ in Evere, outside Brussels, and even to move NATO to another country.

The Belgian political class is riven in two: those who are trying to limit the applicability of the law, and those who are trying to keep it as it is. The attempts by the government to fiddle around with the retroactivity clause has led to the situation in which, for technical reasons, George Bush Sr is let off the hook but not Ariel Sharon. This has infuriated the Israelis even more, who accuse the Belgian government of helping the Americans but not them.

Meanwhile, in Washington, a Democrat Representative has put down a bill for a "*Universal Jurisdiction Act*" which proposes to liberate by force any American citizen detained by the Belgian authorities. In other words, the US would declare war on Belgium if it exercised its jurisdiction against an American. [Philippe Gélie, *Le Figaro,* 12th May 2003]

The Grand Sideshow

by Dirk van Heck

On 9 June we will learn the results of the Treasury's 2000-page assessment of the 'fabled five economic tests', against the background of Clare Short's bilious resignation, vicious infighting in the Cabinet, grave concerns over the emerging European Constitution and economic distress in the eurozone. The five tests were sketched out by Gordon Brown and his Chief Economic Advisor, Ed Balls, in the back of a cab, and Tony Blair had to ring Mr Balls up in a pub to find out what the policy was. Yet the Chancellor has done a brilliant job of convincing the public that the tests are overwhelming evidence of his conscientious stewardship of the British economy – if recent polls are to be believed, the British people trust him on the subject a great deal more than they trust Tony Blair.

The Governor-elect of the Bank of England, Mervyn King, has said that it would take 200 years' of data to show whether the UK economy had converged with that of the Eurozone. Some have called him a eurosceptic for saying this, but the real significance of his statement is not in any personal view it suggests, but in that it implies that the economic debate on the euro is not only abstruse, but futile, since the single currency has not been in existence long enough for an economic judgement to be made (let alone a *"clear and unambiguous"* judgement as required by the five tests).

Rather the economic debate is a grand sideshow, designed to demonstrate the virtue of Gordon Brown and to leave the electorate cold and confused as economists and pressure groups bombard them daily with tendentious macroeconomic theorising. Euro entry is and always has been a political decision, and the widening Cabinet rift has begun to show the true, ideological nature of the debate (which Blair and Brown both seem to agree should be kept well away from the people who will be voting in the euro referendum, assuming it is ever held). Blairites are keen to keep the euro ambition alive, whilst Gordon Brown and his acolytes would like to kick it into the long grass. This is a reflection of what is emerging as the most important distinction between the two men's politics; their respective stances on Europe.

> Gordon Brown presents himself as the conscientious technocrat to Tony Blair's charismatic ideologue

Tony Blair is well known to be a pro-European, but the extent of his enthusiasm is rarely recognised. In his Cardiff speech last November, he said of the British approach to European integration *"we must end the nonsense of this far and no further"* to enable the UK to take its rightful place *"at the heart of Europe"*. Gordon Brown makes occasional noises of support, but, as in his support for the Iraq war, he often looks as though he has been goaded. In March, he wrote an article in *The Times* urging the decentralization of EU 'structural funds' (regional aid); something which would be anathema to the EU establishment, and which was written against the background of the Convention on the Future of Europe planning for the Union to seize most of member states' remaining powers. He made his case on the basis of economic efficiency. Likewise his scepticism about the euro is publicly premised on the inadequacies of the growth and stability pact and the deficient running of the European Central Bank. He presents himself as the conscientious technocrat to Tony Blair's charismatic ideologue. So Mr Brown too is a spinner.

Tony Blair likes the European project because it presents a picture of everyone getting along and promises to entrench socialism in Britain for a generation. He has expressly disavowed any ambition to become EU President. This is unsurprising, considering he has backed the plan for two presidents; one for the Commission and one for the Council. Given his messianic zeal on the world stage, he may prefer the envisaged role of EU foreign policy supremo for his super-parliamentary afterlife. Gordon Brown is less keen, ostensibly because he is critical of the EU's approach to economic and monetary management, but in reality because Europe is not really socialist enough for an old fashioned Scottish leftist and he fears that, if and when he becomes Prime Minister, there will be little power left in Westminster for him to wield.

With the European Convention due to report on 20th June, 'Europe' will be the main political battlefield for the rest of this year. Blair's chief lieutenants have begun to slip up: Peter Hain admitted on *The Today Programme* that the euro was an issue of sovereignty after all (in trying to explain why the government was willing to hold a referendum on the euro but not on the European constitution) and Peter Mandelson's off-the-record remark that Mr Brown had *"outmanoeuvred"* the Prime Minister on the euro made front-page news. Whilst Mr Blair was able to turn around British public opinion on Iraq, he will not be able to do so on the European Constitution, or so the Chancellor believes. He is sharpening his knife in anticipation.

Dirk van Heck is Head of Research at the European Foundation.

… news in brief

Euro steams ahead

The euro has bounded back from its previous weak showing against the dollar and is currently trading very close to the level it was at when it was launched at the beginning of 1999. The strength of the euro and the weakness of the dollar were boosted by remarks made by the US Treasury Secretary, John Snow, who said on TV that a low dollar was good for US exports.

The markets immediately assumed that the Americans wanted a lower dollar in order to stimulate growth and job creation in time for the elections. One analyst said he thought the Bush government wanted a controlled devaluation of the dollar, but that if they said this out loud then the American currency would collapse. Dealers were saying that the next hurdle for the euro will be the $1.1745 mark. If it passes that, it could go to $1.20. It seems that all the gloom surrounding the European economy, even Germany's economic woes, has been dispelled by the even greater worries about the US economy. [*Handelsblatt,* 12 May 2003]

BRUSSELSBOURGER

Space Race Mk II

by Matthew Elliot

"One small step for a European citizen, one giant leap for the United States of Europe," is the message that the European Commission would presumably like Euronews to broadcast if their vision of an enhanced European space programme comes to pass. *"We should be working towards an independent European manned space programme,"* said Belgian astronaut Frank De Winne at a recent European Commission press conference. *"We cannot go on for another 40 or 50 years simply orbiting the earth. We have to set our sights farther, on the moon, on Mars."*

For the past thirty years, European nations have operated a space programme under the auspices of the European Space Agency. In this context, 'European' is not synonymous with 'European Union' because Norway and Switzerland contribute to the ESA whilst Greece and Luxembourg do not. The ESA has successfully developed a coherent European space programme by mobilising public and private resources and bringing together scientific expertise to develop major joint projects.

However, expansion from commercial ventures such as satellite launches to political visions of manned space travel to Mars requires money: public money. This is why the ESA is co-operating ever more closely with the European Union – the mother of all white elephants – with a view to agreeing a friendly takeover by the end of 2003. As Sigmar Wittig, Chairman of the German Aerospace Centre, recently said: *"Europe needs space activities and space activities need Europe, ergo European space activities require the European Union."*

The European Union's space programme was conceived in 2000 when governments of the member states agreed to create a common space policy. 2003 will dictate the success or failure of the birth.

In January, the European Commission, in cooperation with the ESA, published a Green Paper on 'European [Union] Space Policy'. This was followed in February with the inclusion of 'the discovery of space' as an objective of the Union in Article 3 of the draft European Constitution presented to the Convention by the Praesidium.

May saw the culmination of the Green Paper consultation process with a conference in London addressed by luminaries such as the British Minister for science and technology Lord Sainsbury, European Research Commissioner Philippe Busquin and ESA Director General Antonio Rodotà. This process was reinforced by supportive European Council and European Parliament resolutions on 13 and 15 May respectively and an approving ESA ministerial conference at the end of May. So far, everything is on track for a successful takeover.

But why does the European Union want a space programme? The Green Paper provides various economic and political arguments. The economic arguments are largely based on the commercial applications of previous space exploration (e.g. non-stick frying pans) and the technological advances enabled by satellites (e.g. global television, the internet and 3G mobile phones). What the paper does not convincingly explain is why, if the economic benefits are so apparent, the commercial sector is unwilling to fund the type of space exploration envisaged. The answer to this question is, perhaps, that the real motive behind the European Union's space programme is political.

First of all, European leaders recognise that a successful space programme could convert a sceptical public to being supporters of further integration. De Winne describes the political dimension of his work in these terms: *"As European astronauts, we want to be examples of real Europeans … Europeans who can work together as a team."* Wittig sees the space programme as part of the process moving *"European people towards becoming a joint identity"* and the Commission's Green Paper includes a section on 'Using space to support the integration process.'

Second, a successful space programme is essential for a comprehensive Common Foreign and Defence Policy and European Security and Defence Policy. The Council resolution specifically cites *"the continuously increasing importance of cost-effective and affordable space technologies for … the CFSP"*. The Green Paper stresses that *"the Union should develop a satellite-based defence and security capability on an entirely European basis"* and argues that *"a space component supporting a rapid capability for decision making will contribute to a credible and effective CSFP."*

Finally, a successful space programme indicates superpower status. Gilles Savary MEP, President of the European Parliament's Sky and Space Intergroup, believes that space is *"a political issue, insofar as it relates to the whole question of the European Union's role in the world and its capacity to be a leading power."* This is why the programme is really a 'Space Race Mk II'. Just as the first space race between the USA and the USSR was as much about political prowess as it was about technological achievement, the second space race between the USA and the EU is also grounded in the Union's desire for superpower status.

From these political motives rears the ugly head of anti-Americanism. Savary justifies the European satellite navigation programme Galileo on the grounds that it will *"end the domination of the American ground positioning system, GPS."*

More seriously, the Green Paper criticises the US for its role in international space projects, describing them as being *"marked by a constant desire on the part of the Americans to be pre-eminent in space"*. *"As a general rule,"* the Paper continues, *"NASA expects to remain in control."* Is this really surprising considering that America devotes six times the public resources to space as all European countries put together?

The Commission are, however, keen to promote cooperation with Russia. De Winne describes the Russians as having *"a long and successful history of manned space flight from which to draw experience"* – without mentioning America's far more successful record. And, significantly, the Paper concludes that *"Politically, a deeper co-operation of Europe with Russia, in the framework of a closer partnership and either current or future instruments, may be of mutual interest."*

If anti-Americanism is going to be the basis of the European space programme, all I can say is: *"Beam me up, Scotty."*

Matthew Elliott, a researcher in both the British and European Parliaments, can be contacted at elliottm@parliament.uk.

LETTERS TO THE EDITOR

Gibraltar is not a pawn
from Richard Spring, MP

Dear Sir,

I should like to reassure your correspondent Mr Desmond Rose and your other readers that the Conservative Party, alone of all the parties, has long made it clear in the House of Commons that the status of Gibraltar should never be changed without the people of Gibraltar's consent. That applies not only to the implementation of any Anglo–Spanish agreement but also to any framework agreement concluded over the Gibraltarians' heads. Nor would an incoming Conservative Government feel bound by an agreement to surrender Gibraltar's sovereignty which had been reached without the assent of the people of Gibraltar.

This Labour Government should realise that Gibraltar is not a pawn to be expended in seeking favours with Spain in the EU, particularly as Spain is already a valued EU and NATO ally. That policy has failed. As the Commons Foreign Affairs Select Committee Report said, the Government has ended up with 'the worst of all worlds': an alienated Gibraltar and a disappointed Spain. We should now move forward to discuss matters of mutual benefit to all parties, where agreement can be reached. That does not include sovereignty.

Yours faithfully,
Richard Spring, MP, Conservative front-bench spokesman on foreign affairs
The House of Commons

Accountability is lost
from Deputy David Jones

Dear Sir,

I always thought that the whole point of written constitutions was to enshrine in law the freedoms and rights of people in a democracy, in order to protect them from legislation by any government in power that may endeavour to remove those rights to determine how, and by whom, they are governed. This, together of course with ensuring that the laws of the land are administered in a fair and equitable manner, by people who are accountable in law.

It would appear that the mask has finally slipped and the federalists have left their bunker, clutching the draft of a one-size-fits-all written EU constitution. It is a strange and perverse irony that allows the EU to remove by stealth the rights and freedoms of citizens of individual sovereign states through successive treaties, while at the same time bringing forward a European constitution that will place the few limited rights of citizens that remain, firmly in the clutches of un-elected officials. Officials who are hell bent on steaming ahead like the ill-fated crew of the Titanic.

The iceberg that the British people are headed for, with most of its mass hidden under the murky waters of EU treaties and agendas that are still being formulated, is designed to suck the whole ship of British freedom off to the bottom.

The British Prime Minister Tony Blair must take full responsibility for this impending betrayal of his people. It is not good enough for him and his Government to keep insisting that the UK Parliament will have the final say on the relentless conveyor belt of EU initiatives pouring out of Brussels.

The truth is that Tony Blair, or indeed Parliament, seems no longer to be in control of the UK. The country now appears to be effectively governed by unelected EU commissioners, the cornerstones of its democracy are being undermined systematically with the placid connivance of previous governments. Further erosion is now being condoned by the Labour Government and its leader.

The people of Gibraltar have already experienced the Blair version of democracy with the same behind the scenes discussions going on with the Spanish government on The Rock's future. I have absolutely no doubt that the same disgraceful discussions with the EU autocrats are being held on the freedom of the British people, with the purpose of having their future decided by others who are totally unaccountable to them.

I myself was surprised to hear on his recent visit to Guernsey the Lord Chancellor, Lord Irvine, telling my fellow politicians that the Island's current constitutional position is safe. Well considering that, it is therefore reasonable to assume that it is not within the British government's remit to change our constitution. I thought that was very magnanimous of him. It does illustrate, however, how arrogant the British Government has become when they assume powers that they don't actually possess.

The message must be hammered home to the people of the UK that this relentless race towards a federal Europe will lead them into virtual fiscal and commercial slavery, with no constitutional levers left to prise free the shackles. Is it not strange that a government so eager to go to war in order to set a nation free should, at the same time, be prepared to hand over the rights and freedoms of its own people to a body of unelected officials in another place.

Yours faithfulty,
David Jones
(Member of the States of Guernsey)

About turn
from Mr Frederick Forsyth

Dear Sir,

For six years the Labour government has been declaiming that the abolition of the pound was a one hundred percent economic question with no constitutional or sovereignty ramifications whatsoever.

Some of us have pointed out that Britain was the only country in Europe seeking to maintain this pathetic fiction, and that abolishing the national currency could not avoid massive loss of sovereignty. For such heresy we were dubbed Europhobes.

Now Minister for Europe Peter Hain has stated on national radio that a referendum on the Giscardian constitution was impossible because referenda had to be reserved for 'major sovereignty issues' such as abolishing the pound and adopting the euro.

Wow!! Either Mr Hain is suffering a sudden onslaught of veracity, or that was a humdinger of a slip of the tongue.

Yours faithfully,
Frederick Forsyth

European Referenda

by the Editorial Staff

Of the ten countries lined up to join the EU in May 2004, nine are holding a referendum. Five have already counted the votes: Malta, Slovenia, Hungary, Lithuania and Slovakia (see Table). Poland, the largest of the candidates and perhaps the greatest prize in the EU enlargement programme, is next in line. The referendum there is on 7/8 June.

In the central and eastern European countries that have yet to vote, there appears to be an overall balance in favour of joining the EU. The eurosceptic voice is strong, but possibly not well co-ordinated. Sadly, the outcome may be similar to that in the elections for the European Parliament: another win for the Apathy Vote.

The referenda, and possible fudging of the 'absolute majority' rules by some countries to accomodate a low turnout, do not entirely guarantee that EU membership will grow. The Accession Treaty, signed in Greece in April this year, still has to be ratified by the 15 signatory member states.

Romania and Bulgaria are next in line to join the EU, in 2007 at the earliest. Turkey's record on human rights will be reviewed in 2004. If the record is satisfactory, negotiations for membership will begin in 2005.

Poland votes on 7/8 June. 74 per cent of those intending to vote are in favour of EU entry, according to the latest CBOS poll. Only 64 per cent, however, of those eligible said they would definitely cast their vote.

The rules of the referendum strongly favour EU entry. On 27 May 2003 Poland's Constitutional Tribunal ruled that if turnout in the referendum is below 50% then accession can be ratified by a two-thirds majority in both the country's Houses of Parliament. This appears to be a likely outcome: in post-communist years no referendum turnout has yet exceeded 50%.

Official Referendum Results – Percentages

Country	Date	'Yes'	'No'	Turnout
Malta	8 March	53.6	46.4	91.0
Slovenia	23 March	89.6	10.4	60.3
Hungary	12 April	83.8	16.2	45.6
Lithuania	10/11 May	91.1	8.9	63.4
Slovakia	16/17 May	92.5	6.2	52.2

Figures may not tally due to spoilt ballot papers

The **Czech Republic** votes on 13/14 June. TNS Factum's poll in May, of people who say they will vote, shows 78/22 in favour of joining. Support for the EU has fallen since the last poll, when the balance was 83/17 in favour.

The vote will be binding. There is no minimum threshold on turnout, which is expected to exceed 50 per cent. In the unlikely event of a 'No' vote, at least two years must elapse before the electorate is asked again.

Estonia votes on 14 September. Support for the EU currently runs at 57 per cent, with opposition at 36 per cent.

The referendum is non-binding, and there is no minimum turnout requirement. No contingency plans have been declared to cater for the possibility of a 'No' vote. Opposition to the EU is not tightly co-ordinated, and it is possible that an umbrella group might emerge to bring together the different groups of opponents.

Latvia votes on 20 September. In March the SKDS poll found 50.2 per cent 'Yes', up slightly from February, with 'No' at 33.1 per cent, down from 37.6 per cent.

The referendum is binding, subject to a minimum turnout of fifty per cent. Surprisingly, given the strong sentiment of opposition, there is no anti-EU group. Should the vote be 'No', it seems likely that there will be a second vote when the next general election takes place in 2006.

Cyprus is not holding a referendum. Support for the EU among Greek Cypriots is high, over 75 per cent. Opposition is higher in rural areas.

Ratification of EU membership from the Cypriot House of Representatives could be as early as July. This might be delayed if agreement of some sort is reached before then on the UN reunification plan.

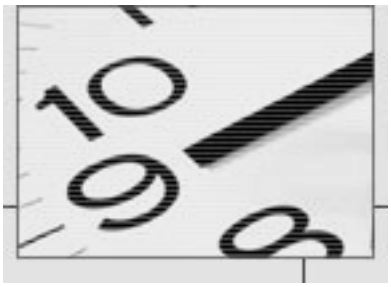
… news in brief

Polish anti-EU campaigners say media is biased

EU enlargement, as we know, is intended to spread and consolidate democracy in the East of Europe. But is it having the opposite effect? The Adam Smith Centre in Warsaw has issued a long report about conduct of the debate in Poland in the run-up to the EU referendum on 8th June. According to the study, the majority of media outlets in Poland are controlled either by the Communist government or by German companies. Alleging that, *"The Germans want to rebuild their empire in Central Europe,"* the institute says that the Germans place a high value on their ability to influence public opinion in Poland through ownership of the media. Although the German government no longer has any irredentist claims on Polish territory, it does support the property restitution claims of German citizens expelled from Western Poland after 1945. If Poland belonged to the EU, then those claims would be justiciable by the European Court of Justice. The Germans, through their control of much of the national and local press, seek therefore to influence Polish opinion in a pro-EU direction. There is no equal access to the state media for opponents of EU membership. Indeed, the Prime Minister of Poland, Leszek Miller, has said that *"assuring equal conditions for advocates and opponents of EU integration would be a misunderstanding."*

The Polish government has itself set aside $3.5 million for pro-EU *"information"*. According to a study conducted by the anti-EU League of Polish Families, the three main news programmes devoted 98% of their time to euro-enthusiasts, with only 2% of airtime given to opponents. The private media are not much different. Although they are critical of the government, they are uncritical of EU membership. The private media are in any case subject to corrupt public influence, as the long-running corruption scandal involving Lew Rywin and Adam Michnik suggests.

Large public meetings and press conferences organised by eurosceptics have been ignored in the main media; by contrast, tiny meetings of artificially created parties, like the so-called *"Union of Liberty"*, receive wide coverage. Commercial broadcasts by pro-EU groups are allowed, but not onesopposed to membership. The only real outlet for anti-EU sentiment is the internet, and it appears that even these discussion groups are censored when controversial anti-accession ideas are expressed. The Dean cancelled a students' debate in the University of Torun at the last minute, on the grounds that the students ought to be campaigning for a 'Yes', rather than discussing the issues. [Dr Marcin Masny, Adam Smith Centre, ul. Bednarska 16, 00-321 Warsaw, tel, + 48 22 828 4707; fax + 44 22 828 06 14, mobile + 48 608 572 440, e-mail marcin.masny@ieg.pl and adam.smith@adam-smith.pl]



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Were you old enough to vote in the 1975 referendum?

Trust the people has been set up to fight for a referendum on behalf of all those who have never had a say on the future of Europe

For more information see
www.trustthepeople.org
or contact
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Look up the website to sign our online petition – thousands already have and it will make a difference.

Russia, the EU & the State of International Relations

by Pavel Erochkine

Removal of Saddam Hussein's regime can only be welcomed. Yet, the way in which it was done makes the future of the international relations system very uncertain and prone to the boom-bust process that only a several years ago inflated and burst the stock market bubble. The invasion of Iraq by US and British troops was, as President Putin noted, a serious political mistake that marked the end of the post-Cold War era in international relations. It is the first instance when the vaguely defined Bush doctrine of *"pre-emptive action"* has been applied.

Add to this global economic slowdown, a bearish mood on the world's leading stock markets, as well as talks about the likelihood of a double-dip recession in America, and it becomes very clear that globally both political and economic conditions have seriously deteriorated. Rapid victory in Iraq that claimed far fewer lives than many expected could be a start of the reversal but it can also re-enforce the 'political bubble' – America's misconceived pursuit of supremacy[1] and eventually leave the international relations system in ruins.

According to Professor Lord Skidelsky, there are three candidates that could take place of today's defunct system.[2] The first scenario is the emergence of an arrangement, similar to the old British system of formal and informal empire. The second scenario would entail the development of a co-operative hegemony of the United States and the so-called 'great powers' (Pax Americana). The third scenario would be the creation of a multipolar 'balance of power' system, encompassing not only the US, but also Europe, Russia, and, potentially, the economic powers of East Asia.

The Bush administration seems to believe that a peaceful world requires one law-breaker to enforce peace and promote democracy. In effect, the American doctrine is based on a combination of two ideas: that the US is the dominant power, which, after 9/11, has a clear mandate to maintain absolute military supremacy for the sake of peace in the world, and that its self-defence justifies pre-emptive action, implying that protection of the sovereignty of the US can take precedence over other states' sovereignty and international treaties. Therefore, materialisation of the Pax Americana is the likely medium-term development, a development that could incorporate elements of the other two scenarios. The European Union, Russia and other 'important' countries will have to play a decisive role in the formation of the new system of international relations.

For the US, like Russia, *realpolitik* is the underlying philosophy – international relations are relations of power, garnished by international treaties and beautified by constant, but often trivial, references to morality, legality and legitimacy. The apparent difference is that Russian foreign policy is still dominated by decision makers with a Cold War mentality, with the notable exception of Putin, whereas the thinking of the US administration is more influenced by a flock of forward-looking but half-blind and overoptimistic 'hawks'. Both exaggerate the importance of military power, forgetting about other variables. Russia simply does not have enough capabilities to challenge the United States and set its own rules. This means that it must think about the alternatives.

Russia and the majority of the European countries evidently oppose unilateralism in international relations. Both have enormous aspirations of playing a decisive role in international relations but cannot yet individually act as a real counterweight to the US. Moreover, the 2002 annual report of the Russian Duma's Federal Affairs and Regional Policy Committee 'Russia in the United Europe' concluded that *"neither Russia nor the European Union has any fundamental contradictions in the sphere of security."* In fact, they have common security goals and interests since together they can react better to emerging dangers, such as the supremacy of the US, terrorism, proliferation of weapons of mass destruction and environmental threats as well as to 'old style' trans-border threats. Accession of the Central and Eastern European countries to the EU will create a large EU–Russia border and will exemplify the fact that future stability of the European Union depends, to an extent, on its relations with its gigantic neighbour.

It is a serious problem that, after 9/11, the world's only superpower has been preoccupied with self-preservation. But this cannot be the basis for a working and lasting system of international relations. In the longer run, any system of international relations must become based on universally recognised norms of international law, even though supported by the military and economic power. Russia and most of the EU countries recognise the need for such a system and seem to be prepared to work together towards this goal. However, concrete joint-steps that could be taken in the near future remain a mystery. The fact that no common defence and security policy has been adopted gives some doubts over whether EU–Russia relations in the security sphere have progressed anywhere beyond vague talks.

Moreover, it must be stressed that, according to the 'Russia in the United Europe' Committee, nearly 90% of NATO's general-purpose forces remain targeted at Russia and about 70% of Russia's general-purpose forces remain targeted at the NATO countries. If the so-called 'new threats', such as international terrorism and proliferation of weapons of mass destruction, have overtaken Cold War hostilities, why is this not reflected in the allocation of military capabilities?

The answer is that EU–Russia relations in practice are not as rosy as they seem. The sad reality is that EU–Russia relations resemble what has been labelled as *"selective cooperative and peaceful coexistence"* rather than vigorous cooperation based on common interests. We even lack a detailed and generally accepted long-term concept of relations based on a proper 'cost-benefit' analysis. The relationship is full of symbolic gestures, which hide the emptiness of the content. The only major document guiding relations is the 1997 Partnership and Co-operation Agreement, which is too narrow, restrictive and unimaginative to provide any meaningful basis for deeper integration.

Many Russian experts, like Nadia Arbatova, Director of the Centre on International Relations at the Institute of Europe, believe that the short-term goal of future negotiations between the EU and Russia should be the adoption of a common policy covering defence and security related issues. The obvious problem is that there are serious doubts, especially after Iraq, that the EU itself will be able to create a common security and foreign policy. Commentators from all over the world even think that the common EU foreign policy could just be a

Utopia. The EU's leading countries, including the UK, France and Germany, have been very active on the international arena as individual sovereign states but certainly not as a single entity. In addition, NATO is experiencing a kind of identity crisis, whilst continuing to play a vital role in European security, and with America rapidly re-orientating its priorities. All of this indicates that any real progress in establishing a common EU-Russia defence policy, whether intended to counter-balance the US or not, is unlikely.

It cannot be denied that the emerging combination of 'old' and 'new' challenges requires new institutional arrangements and new interaction mechanisms, creation of which, unfortunately, is practically unfeasible at this point in time. This suggests that the only viable way forward is to try to build a solid economic foundation on which further developments in the security sphere could be based. In fact, economic relations will help the EU and Russia to build a dynamic network of new relationships and points of contact, rather than several weak and inflexible defence orientated institutions that some experts envision.

It is a highly positive sign that the EU has granted Russia the status of a market economy and that it seems to be interested in integrating Russia into the Common European Economic Space. However, Russian policy should make it perfectly clear from the start that Russia is interested in integration, not membership. Too many people in Russia appear to have foolish hopes but the reality is that Russia will not join the EU in the foreseeable future and should not try to do so. What is more, Russia should accept the fact that it has an inherent interest in deepening economic relations with the EU, which is already responsible for 40% of the Russia's foreign trade turnover and for 50% of investments into the Russian economy. Whereas the EU's economic interest is much smaller – only 3% of the EU exports go to Russia, and 4% of the EU's imports come from Russia. It is, therefore, the Russian responsibility to ensure that any deepening of economic relations has significant tangible benefits for both sides. There is always a danger for Russia that it could become a resource-rich appendix of the European Union with global ambitions – already over two thirds of Russia's exports to the EU are energy related resources – but there are many routes around this problem.

We should not forget that the European Union itself is fundamentally a result of the solution of one politico-economical issue – the 1951 Coal and Steel Pact. The concrete foundation for the extension of EU–Russia relations could be the 'energy dialogue'. This is one of the major issues now, which, according to Mr Chubais, head of Russian electricity monopoly RAO UES, *"lacks energy"*.

Of course, any future developments in EU relations with Russia depend greatly on the definitive end of Cold War era mindsets and the removal of ideological barriers. However, a lot still depends on the development of democratic institutions in Russia. Although President Putin has made it clear that Russia shares Western values and is committed to developing a modern democratic society, real progress has been far from satisfactory. 'Controlled democracy' is what has been emerging. Fortunately, there are institutions ranging from the Moscow School of Political Science, led by Lena Nemirovskay to *"Our Talent's Foundation"*, led by Alex Kim, that are actively working in this area but it is the authorities that can, and should, make a real difference. Undoubtedly there is a constant risk that past and future mistakes of Russian leaders could dangerously slow the progress.

The deepening of economic relations, rather than attempts to achieve results in the security sphere, seems a better way forward for both Russia and the EU because this strategy allows more room for manoeuvre. The EU needs flexibility because future positions of its member states are subject to great uncertainty, which means that it should not enter any binding agreements at this point in time. Russia would not want to have its hands tied but to be able to continue freely building relations with other countries.

President Putin took a big political risk and used 9/11 to align Russia with the US, which send a clear message to everyone – Russia is a strategic partner of the West. He is not prepared to give up his efforts in building relations with the US and focus entirely on the EU. There are also important countries like China, India and Japan about which Russia does not forget. In effect, Russia is geographically centred between the US, the EU and the East, and this influences its sphere of interests and responsibilities.

Many expected the war against terrorism to provide a sense of solidarity and common purpose that would help to bring the international community closer together. Although American unilateralism, and apparent neglecting of others' interests, has done a lot to aggravate divisions, I believe that actions of Russia and the EU could do a lot to move the world towards greater co-operation and certainty of relations.

According to Karin von Hippel at King's College London, *"the international community, and the United States in particular, ignores unpleasant parts of the world at its peril."*[3] We must admit that terrorism comes not only from poor or failed states but also, as recent events demonstrated, from the stronger Arab nations. In the anti-terrorism coalition Europeans (perhaps with the exception of the UK) brought little to the global campaign that the Americans could not provide themselves and left far too much to the US. This re-enforced American leanings towards unilateralism. Perhaps, non-military pressures on the 'untouched' hot spots of international terrorism could be the area where the EU and Russia could establish their comparative advantage and hence supplement, rather than counter-balance, the US.

Finally, we must not forget that the US hegemony still relies on consent rather than raw power. Others, notably Europe and Russia, still have weight, which could be used to make sure that the orientation of America's policies towards protection of individual rights, democracy and free market is not merely rhetoric to justify its hegemony. Europe and Russia should encourage the US to use its unique supremacy to create lasting world order based on international law and on international institutions.

1 Soros, *Financial Times*, 13 March 2003.
2 Discussion Paper IR1, Centre for Global Studies, 2003.
3 *The Roots of Terrorism: Probing the Myths,* Superterrorism: Policy Responses, ed. Lawrence Freedman, Blackwell Publishing, 2002.

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Life in the Slow Lane: Romania, Bulgaria and Membership of the EU

by Timothy Less

"For me, this is the start of the 21st century," declared Hungarian Prime Minister Péter Medgyessy on 16 April 2003, as he put his signature to the European Union's 5000-page Accession Treaty which guarantees EU membership to the eight most advanced countries in Eastern Europe next year. If so, then it was no doubt the thought of several more years stuck in the 20th century that explained the less-than-ecstatic expressions on the faces of two of the Eastern European delegations at the EU's Athens Summit, those from Romania and Bulgaria. For Eastern Europe's 'laggards' (as the Balkan duo are universally described), the get-together was not so much a chance to indulge their taste for champagne, as a frenzied attempt to elicit 'categorical confirmation' from various EU officials that their countries were still on target for the already-delayed entry date of 2007.

Publicly they got what they wanted. The final Summit statement explicitly pledged to work towards accession by this time while many of the most important delegates – including Tony Blair, Gerhard Schröder, Jacques Chirac and Romano Prodi – also made specific mentions of the pair in their final speeches. Privately, however, few were prepared to bet their money on this happening.

Panic in Bucharest and Sofia had been triggered during the weeks of tortured diplomatic wrangling in run-up to the US-led attack on Iraq. Incensed by the two countries' explicit siding with Washington, Jacques Chirac issued a stern warning to the duo that their Atlanticist stance had seriously damaged their chances of accession to the EU. In a desperate bid to bury the issue, the Romanian Foreign Minister Mircea Geoana made a grovelling apology on a visit to Paris in early April, saying that his government had 'learned a lesson' from the Iraq crisis. The problem for the two, however, was that the issue of Iraq brought out into the open an underlying scepticism among European officials about the preparedness of both Romania and Bulgaria for membership of the EU. Although the French President was eventually calmed down from his peeve, the large gulf between the two Balkan countries and the other accession states had been made painfully clear for all to see.

The study found that Romania and Bulgaria trailed dismally behind every other Eastern European candidate state, and were ahead only of Turkey

One area of major concern is their implementation of EU law. As of April, Bulgaria had closed only 23 out of the 31 chapters of the *acquis communitaire*: while Romania had closed just 16, months after the other candidates had completed the negotiating process. In its October report, the European Commission admonished Bulgaria for the poor quality of its judiciary and inefficient administration. Its judgement on Romania was even more damning. Not only was the country found to be excessively corrupt and the government semi-incompetent; Romania was not even considered to have established a functioning market economy. Another area of concern is their readiness for entry to the single market. A recent study by PriceWaterhouseCoopers examined 28 countries' suitability for membership according to the criteria of macroeconomic stability, economic structure, infrastructure and integration with the rest of Europe. The study found that Romania and Bulgaria trailed dismally behind every other Eastern European candidate state, and were ahead only of Turkey. For those on the ground, the gap between the Balkan pair and their Central European peers is also clear to see. A few hours spent wandering the dusty streets of post-communist Bucharest or Sofia, with their packs of rabid dogs, wild street children, beggars and pervasive air of decay, provides ample evidence that Romania and Bulgaria are not in the same class as Hungary, the Czech Republic or Slovenia with their wealthy, vibrant capitals.

So what went wrong in the case of Romania and Bulgaria that set them on such a different trajectory to those Eastern European states invited to join the EU next year? The temptation is simply to write them off as 'Balkan', that byword for poverty, oppression and inter-ethnic violence. The fact that the two are located in this troubled region has certainly played its part. However, the reasons are more specific and complex than this rhetorical sleight of hand would suggest.

One of the crucial factors was the people's failure to remove the communists from power in the first free elections. The explanation for this is to be found in the nature of the duo's monolithic brand of communism. In contrast to countries like Poland, Hungary and Yugoslavia, which had liberalised quite significantly by the late 1980s, Romania and Bulgaria remained ossified in a kind of 1950s post-Stalinist time warp. As their neighbours experienced a burgeoning of alternative power centres – small private business communities, embryonic civil societies and even unofficial political oppositions – the communist parties in Romania and Bulgaria continued to dominate every aspect of people's economic and social lives.

This had important consequences when communist power finally came to an end. In the more advanced countries of Central Europe, established opposition forces were quickly able to transform themselves into proper political parties and make a successful bid for power. In Romania and Bulgaria, however, this was simply not possible. Neither had any kind of independent civil society to speak of, no significant dissidents, nor even moderates within the old regime who could have formed the kernel of a political opposition. When their communist parties (minus their former despots, Todor Zhivkov and Nicolae Ceaucescu, who were both ousted in palace coups) finally submitted to democratic elections in 1990, the outcome was certain. Faced with a disorganised, ramshackle and largely anonymous opposition cobbled together in the few weeks following the changeover in leadership, the communists were effortlessly returned to power.

Unsurprisingly, the fact that the two countries remained in the hands of only barely-reconstructed ideologues had important consequences for their reconstruction processes. In contrast to the

reformist governments elected elsewhere in Eastern Europe, which began to refashion their countries in the image of their Western European neighbours, the Romanian and Bulgarian governments attempted to preserve intact the socialist systems they had for so long held up as ideal societies[1]. This situation endured throughout the early-transition period. The Romanian communists were only comprehensively kicked out of power in November 1996; in Bulgaria it took until April 1997 before a strong reformist government was finally elected.

By the time of the changeover, countries such as Estonia and Hungary had already succeeded in turning their clapped-out socialist economies into dynamic engines of growth, and were well advanced on the process of harmonising their domestic legislation with the *acquis*. Down in the Balkans, Bulgaria and Romania were, if anything, in a worse state than in 1989, since attempts at maintaining government control over the economy had led to high inflation, mass unemployment, declining investment and a sharp fall in standards of living. Corruption also rose while political and civil rights were frequently trampled. No one was much surprised when the European Commission announced in July 1997 that it was relegating Romania and Bulgaria to a 'second wave' of candidate states with which it intended to delay negotiations for entry.

Internal political factors were, of course, not the only explanation for Romania and Bulgaria's slow progress. Unlike every other candidate state, their further-flung geography and weaker historical ties with Western Europe meant that they lacked solid sponsor states within the EU to lobby for their interests and encourage investment and reform. Where Poland had Germany and Estonia had Finland, Romania had only the half-hearted support of France, (which has never been much of an enthusiast for enlargement) while Bulgaria had no one, having messed up relations with Greece in a dispute in the early 1990s over the use of the Mesta River running between the two countries. Nor was it helpful that Romania and Bulgaria were on bad terms with each other. If the Romanians had swallowed their Latin pride enough to talk to those crude Slavs to the south, the two might have helped boost each other's prospects within the EU.

Regional factors played an important role in one other way too. For the first half of the 1990s, both countries were partly cut off from Western Europe by war in neighbouring Yugoslavia. Trade sanctions isolated one of the key engines of the Balkan economy, while war in Bosnia seriously undermined the viability of Yugoslavia as a trade route to Europe. The prospect of ethnic conflict spilling over into either Romania or Bulgaria, both of which had large and restless ethnic minorities, also cast a shadow over the Balkan duo's investment environments. As might be expected, all this contributed to a serious weakening of their economies. As we have seen, however, rather then using the external shock as an opportunity to reform, however, both governments resorted to tightening the controls of the existing system. War in Kosovo inflicted a second blow to their economies in 1999. With the bombing of Belgrade's Danube bridges, Bulgaria's main trade artery was closed off. The damage to the Bulgarian economy led to the collapse of the reformist government in early 2001.

Ironically, however, it was the issue of Kosovo that also proved the greatest spur to Romania and Bulgaria's EU membership prospects

Ironically, however, it was the issue of Kosovo that also proved the greatest spur to Romania and Bulgaria's EU membership prospects. Faced with a graphic example of how a volatile, non-aligned state could collapse into anarchy, not to mention calls from Sophia that Bulgaria faced ruin unless it was admitted to the EU 'immediately', European leaders galvanised their efforts to prepare Romania and Bulgaria for membership. The 'two-wave' accession process was abandoned in December 1999 and formal negotiations hurriedly begun, with much-increased logistical backing from Brussels, and a promise that the two would be admitted as soon as they demonstrated compliance with the acquis.

Since then, both governments have accelerated their efforts to implement EU law, particularly the government of King Simeon II in Bulgaria, who was elected PM only weeks after arriving in the country at the end of 2000. However, even he could not bring the country to the level of Bulgaria's more progressive Central European peers, given the wasted years of the early-to-mid-1990s. When it became clear in mid-2002 that Romania and Bulgaria were not going to complete negotiations in time for the 'Big Bang' enlargement scheduled for 2004, the two (in an unprecedented act of unity) set a new joint target date of 2007. This decision was endorsed by the European Council in Copenhagen in December 2002.

So what does the two presidents' frenzied diplomacy in Athens tell us about the prospects for Romania and Bulgaria meeting this target? Their actions clearly betray concern that the timetable may slip again, and not only because the final stages in the negotiating process are, by definition, also the trickiest. King Simeon's government is also weak and divided, having failed to meet the electorate's high expectations. Opinion polls suggest that the neo-communist Bulgarian Socialist Party, which is opposing a number of key reforms and privatisations, commands double the support of the incumbents. In Romania, where the communist-successor party is already in power, the accession process will continue to be threatened by civil unrest and the government's equivocal stance towards macroeconomic reform. The Romanians may also undermine their chances by taking Washington's line on issues such as child adoption and the International Criminal Court (ICC).[2] If Romania and Bulgaria are to achieve entry in 2007, they must complete negotiations by next year; current developments suggest that these could drag on as late as 2006.

Factors beyond Romania and Bulgaria's control could also push back the timetable for accession. Given the anticipated difficulties of integrating the next wave of entrants, many EU officials are already murmuring about the need for a pause before further enlargement of the Union. Major disruption is expected at the institutional level, which will have to cope with ten new voices in the decision-making process and, possibly, a whole new set of voting procedures to accommodate them. The expansion of the single market by over 70 million people will also come as a sharp economic shock to the EU, affecting trade, prices and capital flows throughout the Union. Additionally, financial constraints could stand in the way of a rapid second expansion, particularly when the EU budget comes up for review in 2006. Donor countries will be unwilling to extend yet

more subsidies to a relatively large and highly agricultural country like Romania, while recipient countries, not least the eight Eastern European members of the EU, will be reluctant to share the spoils of membership so soon with their poorer Balkan counterparts. Germany's envoy to the EU, Wilhelm Schönfelder, no doubt spoke for many when he declared in April that the EU couldn't indulge in *"continuous negotiations about expansion"*.

One other potential obstacle is the prospect of new candidates lining up with Romania and Bulgaria. Croatia has already applied for membership and is confident that it can catch up with the other two in time for the next wave of enlargement. Even countries like Macedonia – which is currently implementing a Stabilisation and Association Agreement (SAA) that holds out the promise of EU membership on completion – are starting to fancy their chances. Given the EU's long-established preference for accepting groups of new countries rather than single states, the risk remains that Romania and Bulgaria will be forced to wait for the latecomers in the region to catch up with them. Should other factors stall Romanian and Bulgarian entry anyway, a second Big Bang enlargement encompassing these Balkan countries (plus, potentially, even Serbia) may become the preferred option.

> Would it be such a bad thing if Romania and Bulgaria were forced to wait until after 2007 to be admitted to the EU? Probably not.

Would it be such a bad thing if Romania and Bulgaria were forced to wait until after 2007 to be admitted to the EU? Probably not. The experience of the last decade has shown that it is during the negotiation period that the most serious reforms are undertaken, since the prize of membership provides a unique spur to reform. Keeping the two waiting will maintain the momentum for change; admitting them before they have fulfilled the Copenhagen criteria risks the two countries never fully overcoming problems of corruption and weak administration. The EEC learned a hard lesson in the dangers of admitting a country prematurely when neighbouring Greece's entry was rushed through in 1981. Twenty years on, Greece has remained by far the poorest, most corrupt and least efficient state in the Union. Assuming that the EU does not want to add to its stock of Balkan basket cases, it could do worse than to keep Romania and Bulgaria waiting at the gates for a while yet.

1 The situation was a little more complicated in Bulgaria where neo-communist rule was twice interrupted between 1990 and 1994. However, no interim coalition was powerful enough to implement decisive change.

2 The EU opposes Romania's international child adoption programme on the grounds that it equates to human trafficking; Washington argues that it serves a vital humanitarian function. The EU is also critical of Romania's pledge to exempt US nationals from the dictates of the ICC.

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… news in brief

In the eye of the beholder

While British government ministers and other pro-Europeans were trying to play down the extent to which the Constitution changes, the spokesman for the presidium, which presented the draft, was playing up the extent to which it centralises power. For the real federalists, indeed, the constitution is disappointing because it does not go far enough, and they mutter darkly that things cannot be good if the British government supports the constitution. Therefore Nicolas Meyer-Landrut, the spokesman for the presidium, boasted on Tuesday that co-decision, the legislative procedure which gives the European Parliament a veto on new EU laws, is now the norm in the EU's lawmaking process. From 34 policy areas today, extended to 40 by the Treaty of Nice, he said that co-decision would henceforth apply to 70 policy areas. By the same token, the number of policy areas decided by majority voting in the Council of Ministers would, he said, rise by twenty. Moreover, the new voting rules in the Council represented *"an important extension of the communautaire (i.e. federalist) method"* because they reflected population weighting more faithfully than before. He said this because the presidium is often accused (see above) of favouring an inter-governmental approach instead. New domains to which majority voting and co-decision apply include the attribution of structural funds, the CAP, border controls, police cooperation and immigration & asylum policy. Tax policy is exempt from this rule (except for the fight against financial fraud) as are family policy and foreign policy (except for executive decisions). Finally, it is worth noting that the Constitution does essentially nothing to simplify the arcane procedures of the EU: the arguments are all essentially of the same type as we have had for more than ten years. They concern which policy areas should be transferred to Brussels and which not; but there has been no radical overhaul of the EU's mechanisms. For this reason alone, one of the principal goals of the constitution has not even been addressed. [Philippe Gélie, *Le Figaro*, 28 May 2003]

French farmers demonstrate against CAP reform

Several thousand farmers protested in France against the proposed reform of the CAP. For the first time, the French minister for agriculture, Hervé Gaymard, has said that France might accept the uncoupling of subsidy from production volume, in some sectors. On the other hand, Mr Gaymard has insisted that France will not be forced to conclude negotiations before any particular deadline. He also rejected the anti-CAP rhetoric which emanates from the USA: *"We reformed the CAP three years ago,"* he said, *"while the Americans, with their Farm Bill, are going to give $75 billion to their farmers. Europe does not have to pull down its walls, Europe has nothing to be ashamed of."* Mr Gaymard said that the internal support given to agriculture in the EU is proportionally one third of that in the USA. Mr Gaymard also insisted that the president of the WTO's working group on agriculture has never proposed a complete decoupling of subsidy from production as necessary to satisfy the agreement reached on agriculture at Doha in 2001. Some 20,000 farmers protested, saying they were opposed to driving food prices ever further downwards. They reproach the European Commission for proposing *"ultra-liberalism"*, saying that the cheapest price does not allow for quality products to be sold. Franz Fischler, commissar for agriculture, wants a new formula to be adopted on 11/12 June in Luxembourg, but Hervé Gaymard says, *"The right date will be the date which is right for French farmers."* [Laurent Zecchini, *Le Monde*, 28 May 2003]

The Economics of the Stability Pact: The Need For Reform

by Rupen Raithatha

With the war against Iraq over, and the imminent publication of the Treasury's assessment of the 'five economic tests of convergence', the question of Europe has been forced back to the top of the political agenda. More specifically, we are hearing a lot about the flouting of the eurozone's Stability and Growth Pact (SGP), its widespread criticism, and options for potential reform. It seems pertinent that, on the eve of the Treasury's announcement evaluating our readiness for Euro membership, we should revisit the question of whether the euro, and specifically the SGP, is right for us.

As part of the Maastricht criteria, and enshrined by the Treaty of Amsterdam in 1997, the SGP lays down the rules of fiscal behaviour and imposes targets and sets limits on overall government debts and budget deficits. It commits euro members to reduce their overall debt-to-GDP ratios to 60%, to produce balanced or surplus budgets in the medium-term and to keep their fiscal deficits below 3% of GDP. It is the last of these criteria that has caused the most frustration and consternation across Europe in the last few months, with those members in contravention facing the prospect of heavy fines.

The Pact in itself is a blatant political act employed to placate Germany, who, with the strongest economy and currency in Europe, was loathe to sign up to monetary union with Italy (among others) with her history of macroeconomic mismanagement, high levels of public debt, inflation and weak currency problems. But for all its misgivings, the *principle* of fiscal discipline – in order to discourage reckless, inflationary borrowing in one country from pushing up interest rates across the euro region – is undisputedly desirable if there is to be monetary union. The problem lies not with the principle, but in its detail.

The Stability and Growth Pact

In times of recession, with governments facing natural budgetary pressures (caused by a shortfall in tax revenues coupled with an increase in benefits spending), they will be forced to keep a watchful eye on their budget deficit. Imagining the scenario that a member state's deficit may actually be approaching the 3% ceiling, that country would be required to cut public spending and/or increase tax revenues, actions that would cause further stagnation. The SGP prevents the effective functioning of built-in fiscal stabilisers that allow an increase in benefits spending during times of economic weakness to smooth the economic cycle. As if this wasn't enough, overstepping the limit invites the prospect of a fine, effectively adding to the fiscal deficit the SGP is meant to prevent! Furthermore, some analysts have made the valid assertion that to avoid unforeseen events pushing the deficit over the target 3%, governments may adopt an even tighter fiscal policy than necessary under the Pact, say half a percentage point lower, further tightening the fiscal noose and worsening any recessionary effects.

Indeed, we can observe the perverse logic of the SGP in some eurozone countries today, perhaps most clearly in Portugal. Portugal was the first member of the single currency to flout its SGP obligations, posting a deficit of 4.1% of GDP in 2001. Consequently the government slapped restrictions upon the amounts regional and local authorities could borrow, simultaneously raising VAT by two percentage points. These actions culminated in last November's general strike by public sector workers, in protest to their government's austerity drive.

The economic and social problems the country continues to face (according to the OECD, Portugal will continue to breach the deficit limit until next year) is in part a direct result of the fiscal restrictions imposed by the SGP, forcing the government to cut spending and increase taxes when the opposite is required to bolster growth and employment. The threat of being fined, and the need to tighten the fiscal purse strings is all the more poignant in Portugal's case if one considers her status as a 'cohesion state' i.e. one of the Union's four poorest nations.

Of even greater significance is the embarrassing position Germany and France find themselves in. Both have recently admitted they will contravene the 3% ceiling this year. Unlike Portugal though, both have been more bellicose in their attitude towards using their fiscal leverage to bring their deficits down. In Germany, with unemployment standing at 10.7%, government revenue is expected to be down by as much as €10bn – €12bn on November 2002 estimates, forcing Germany to place domestic political and economic interests above Union requirements and drop its pledge for a balanced budget by 2006. Claiming that it would cost €40bn – €50bn, either through higher taxes or spending cuts, Chancellor Schröder has recently admitted that *"a balanced 2006 budget would require growth rates that I cannot expect and if achieving this meant cutting spending as much as revenues are falling, or giving up the 2005 tax reform, I would not be ready for it."*

This poses a dilemma for the Commission. A flexible attitude to these infringements would invite all current and prospective euro members to transgress similarly without punishment. It would also defeat the Pact's fiscal-restraining objective and cause concern on the financial markets about the seriousness of the Union's commitment to balancing the books.

On the other hand, to establish credibility in the present system and enforce the letter and spirit of the SGP would be to begin punishment proceedings against countries in recession and add to the pressure on them to reign in public spending. The Commission has generally taken a strong stance against those flouting the fiscal regulations, but this attitude has been cast into doubt by Romano Prodi's admission, in October last year, that the Pact was *"stupid, like all decisions which are rigid"*. He went on to remark that the EU needed *"a more intelligent tool and more flexibility"*.

The Role of the European Central Bank

The difficulties of the SGP are compounded by the role of the European Central Bank (ECB). With the fiscal policy restraints imposed on member states by the SGP, monetary policy – handed over to the ECB by virtue of membership to the single currency – is the only other macroeconomic policy available to stimulate the eurozone economy. Yet the ECB has failed to implement the downward

adjustment of interest rates to stimulate growth, in fear of provoking inflation, which remains stubbornly, albeit marginally above the 2% target. Here, many analysts would argue, lies the problem. It is indeed appropriate and important for the ECB's credibility to be seen to be attempting to achieve its target rate, but having set *too low* a target, the ECB has constrained its ability to stimulate growth in fear of allowing inflation to run away. It would be wrong here to claim that the ECB is totally disinterested or uncaring of the growth requirements of member states: it has allowed inflation to remain above its target for much of the past three years in favour of boosting the economy by cutting interest rates. But its explicit objective is control of inflation, and a target of only 2% leaves little room to use monetary policy to stimulate growth. A more easily attainable (and importantly, still respectable) target of 2.5% would give the ECB the scope to act in the interests of growth more often, without fear of missing inflation targets by a mile. It may, for example, have allowed the ECB to cut interest rates in May rather than leaving them unchanged at 2.5%.

This tough stance on inflation is largely a legacy from the Bundesbank, set up following the Second World War, with memories of hyperinflation still fresh in German minds. But the eurozone is an entirely different prospect. Inflation rates across the region are quite diverse, ranging from 1% in Germany to 4.9% in Ireland, and it is inevitable that poorer, fast-growing low-cost nations may have higher inflation as the prices of their goods and services are adjusted upwards to catch up with the leading, slow-growing high-cost countries. This diversity will be especially pronounced by the 2004 accession countries, and any plans for them to join the single currency (currently targeted for 2010 at the latest) seems highly likely to require a revision of the Union's 2% inflation target (not to mention the entire structure of the SGP). This disparity means that while the ECB is attempting to control inflation at or below 2%, some countries will be able to get away with higher than 2% rates, at the expense of countries with lower inflation. This is illustrated by the disparity in inflation rates between Germany and Ireland. Although Germany has spare capacity to allow some inflation in its quest for growth stimulation, it is effectively hindered by the higher inflation in countries such as Ireland. So while the ECB's target rate of 2% applies on *average* across the eurozone, differing inflation rates mean that Germany's real target rate is effectively around only 1%.

A potential consequence of this artificially imposed restriction on inflation in countries like Germany is that of *deflation*: the persistent fall in the general price level of goods and services. Deflation can be more dangerous than inflation. Whereas the latter can be controlled by interest rates, if prices drop far enough it will become impossible to impose the negative interest rates necessary to boost demand and reverse the decline in price levels. Germany, with inflation hovering at a perilously low 1% may be in real danger of such a scenario unless the ECB cuts its interest rates in the near future. Japan has been experiencing a prolonged period of deflation, and Alan Greenspan, chairman of the US Federal Reserve, has just last month acknowledged that the threat of deflation in the US was real enough to require close monitoring. The risk of deflation in some EU countries like Germany is potentially greater than in the US. Although the ECB has greater room to cut its interest rates (2.5%) than the Federal Reserve (1.25%), the rising strength of the euro against the dollar may allow deflation to be 'exported' to the eurozone. As dollar goods become relatively cheaper they will substitute increasingly expensive eurozone goods, further suppressing the demand and prices for the latter. Economic models suggest that the 10% rise in the euro's trade-weighted exchange rate this year is equivalent in its impact to a 1% rise in interest rates. If the euro continues to rise against the dollar, growth prospects will be continually undermined and deflation may become a very real and dangerous prospect.

Reform?

Despite this body of evidence, some would still argue against reforming the SGP. The line of argument taken by these analysts says that while it is terrible and possibly wrong that countries approaching the budget deficit ceiling during an economic downturn are forced to take measures that will ultimately worsen their plight, they should not be in that situation to begin with. The rules were defined in plenty of time for member states to begin taking preventative action. The evidence shows that many eurozone countries are *not* suffering at the hands of the SGP, suggesting that those that are must have failed to take necessary measures to substantially reduce their budget deficit/increase surplus during the economic upturn, so as to allow them room to manoeuvre now. This is correct to a point, but what this argument fails to acknowledge is the varying need, country-to-country, of spending on public sector infrastructure. It is inevitable that some countries will need to spend more on ailing public services, and will plan to do so over a period of time that may overlap with an economic downturn. These public spending plans, once decided upon and planned, will be tricky to reverse in any practical or politically viable way. The argument also fails to take proper account of unforeseen country shocks, such as the floods in Germany last year, estimated to cost €13.5bn (largely funded from public money) in repairs and reconstruction.

In February 2002, the Commission's strict interpretation of the Pact led it to ask the UK to reduce the size of its budget deficit

Put into a domestic context, the European commission has repeatedly warned the UK Treasury (although not formally bound by the SGP) that its spending plans contravene the SGP. In February 2002, the Commission's strict interpretation of the Pact led it to ask the UK to reduce the size of its budget deficit, provoking anger from the Treasury who claimed it would cost approximately £10bn a year in spending cuts to achieve that objective. Earlier this year, Brussels again warned that the UK's spending plans risked tipping the budget deficit over the 3% ceiling. Just as the eurozone countries have had to be wary of the restrictions of the SGP, forcing them into difficult political choices, the UK would have been in a similar position, having to reduce public spending if it wanted to keep within the Pact's requirements. It seems that the current system is failing many countries, and would also have failed the UK had we been euro members. This is evidence enough that the Pact in particular and the present system in general, requires revision.

Abolition of the SGP all together though, is not a politically viable, nor economically

… the current system is failing many countries, and would also have failed the UK had we been euro members

desirable option. It is not politically viable because the Pact represents a symbolic commitment on behalf of all member states that helps to overcome understandable problems of mistrust. It is economically desirable because the notion of fiscal discipline is an important economic end in itself, but it is also important for the financial markets to see that the eurozone is committed to controlling public debt. Yet with monetary policy in the eurozone now in the hands of the ECB, member states need to be granted *greater* fiscal discretion, not less. It is all about striking a balance between a structure that inspires trust and confidence in fiscal control, yet enables a degree of leverage for member states to take individual action as their economic situation requires. At the moment, too much flexibility has been sacrificed for confidence in a far-too rigid fiscal regime.

Revising the ECB's inflation target would certainly help take pressure off an inappropriately structured SGP. It would allow the Bank greater leverage to use monetary policy to help states in economic downturns and reduce the risks of deflation in countries with naturally low inflation levels. But its remit would remain the control of inflation, so it would virtually always be unable to act exclusively in the interests of growth. Also, as we see today, a centralised monetary policy instrument will never be fully effective as long as inflation and growth levels across the Union vary significantly. Here, the only option seems to be introducing a cap on individual member states' inflation levels to complement the ECB's overall eurozone target, thereby preventing high inflation countries from free-riding on the back of low inflation countries.

A second option is to take account of member states' overall levels of national debt. For example, with Italy's debt ratio above 100%, Germany's around 60% and the UK's less than 60%, a eurozone including the UK, if it were ever to join, should grant the UK greater leverage to run a fiscal deficit than Germany, who should in turn be allowed greater latitude than Italy. Here one size does not *and should not* fit all – member states should be awarded or penalised for their discipline, or lack of it, in other areas.

A further option for reform is to adopt Gordon Brown's model, and use the economic cycle, as opposed to any one year, as the gauge for a member state's fiscal profligacy. This would allow states to spend more in a recession, and to counteract any resulting budget deficits by tightening fiscal policy during a subsequent boom period. It would allow the built-in fiscal stabilisers to work more effectively by allowing government spending on benefits to increase during a recession, circumventing the fall in demand and therefore growth.

A problem with this measure is that such a retrospective analysis in determining possible penalties is more likely to penalise governments not responsible for breaking the Stability Pact rules of previous administrations. It may therefore become more difficult to impose penalties, and runs the risk of countries desperate to boost their economy unable to reign in public spending following a period of sustained fiscal activity. If such a scenario prevails, the reformed SGP will be seen to promote fiscal profligacy. Ultimately, if the SGP is to be reformed to allow such a degree of flexibility, the member states will have to trust one another more.

Lastly, an important revision should be made to allow differentiation between types of public spending. Public investment can play an important role in appropriate circumstances. The SGP should reflect the distinction between the perfectly prudent notion of borrowing money for long-term investment in infrastructure and structural deficits in current spending.

None of these options for reform are mutually exclusive – a revised Stability and Growth Pact could and *should* incorporate more than one of the above ideas. Whether the political and legal obstacles to reform could be overcome is doubtful, not least because of reluctance from some smaller states to reform the system just because the powerhouse economies have fallen foul. But, where there's a will, there must be a way. Reform may harm the credibility of the young currency, as well as the reputation of the ECB, but this is a price worth paying for getting the future prospects of the single currency on the right track. There is, of course, a need to pursue structural reforms to loosen the rigid labour and product markets of some member countries, regardless of any Europe-level reforms.

No successful overarching monetary or fiscal regime is possible between countries that diverge so greatly

The economic arguments outlined show that the present system is not appropriate for the UK's entry. Indeed, considering this analysis we must question the entire European Economic and Monetary Union project, regardless of SGP and ECB reform. The Union has been espousing a one-size-fits-all macroeconomic policy, based on the notion of sufficient convergence among the eurozone countries, for a long time now. Yet the fact that we are already discussing the tricky question of reform to allow *greater* flexibility in order to help member states with varying levels of inflation, growth and debt, defeats the very foundation that the theory of monetary union is built upon: it exposes the notion of convergence as a fallacy. No successful overarching monetary or fiscal regime is possible between countries that diverge so greatly *vis-à-vis* growth, inflation and public debt. Perhaps we should not be surprised. From the very outset of the euro project, some serious fudging was required by member states to pass the Maastricht Convergence Criteria.

From this angle, this month's announcement of the Treasury's assessment is largely irrelevant, as is discussion of tinkering with the mechanics of the current structure: the basic tenets necessary for successful monetary union are absent. And all this apart from the valid *political* arguments against UK membership. This, however, is another argument for another day.

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BOOK REVIEWS

The New Russian Diplomacy

by **Igor S. Ivanov**, Brookings Institute 2002, ISBN 0-8157-4498-6, pp 203, £16.95

by Richard Sanders

The New Russian Diplomacy is a remarkable insight into the thoughts of the present Russian foreign minister, Igor S. Ivanov. It is more usual for politicians or diplomats to produce books after they have stood down from office. However, as Ivanov states that, *"this book was conceived as a work of political analysis, and not as a memoir,"* you will not find this to be a revealing history of his time in public office. This perhaps could be seen as a pity as Ivanov must have much of interest to discuss regarding his own career. He entered the diplomatic corps in 1973 serving the Soviet government and working his way up to being USSR's Ambassador to Spain in 1991. It was here he remained for 3 years until being appointed First Deputy Foreign Minister by President Boris Yeltzin in 1994. It shows remarkable resilience and strength of character to maintain a constant position of influence throughout the changing faces of recent Russian history.

This book, first popular in Russia itself, has been adapted to suit an American audience not only by being translated into 'American English' but also with the addition of a short foreword by Henry Kissinger. The aims of the book are clear in that they set out a path for Russia to become once again a strong force in global affairs, something many Russians never thought they lost, by forging closer links with the United States. At the same time Ivanov stresses the importance of using foreign diplomacy as a tool for improving Russian internal affairs.

In his foreword, Kissinger sees this book as a reason to be positive about the future of global affairs by stating that whilst *"disagreements between Washington and Moscow will continue on issues like NATO enlargement and America's use of force abroad … Ivanov's sober approach suggests they can be managed."* This reflects well the pragmatic way in which Ivanov looks at where global issues lie and how they can be dealt with sensibly, rather than glossing over potential pit-falls.

This tome begins with a direct introduction for the 'American Reader'. It looks at the difficulties faced during and after the cold war and how, especially post 11 September, now is the time for cooperation and mutual understanding of each countries concerns. He purposely breaks from the old style of Soviet diplomacy saying, *"Russia conducts a foreign policy that seeks to reach its goals through partnerships with other states,"* rather than desiring to dominate them. Ivanov, and therefore surely Putin, see the best way of enhancing their country's economy, promoting global unity, and strong ties with the United States.

Notwithstanding the fact that Ivanov deals mainly with America, he does manage to find space to put in a few words about Europe. He recognises that Europe has been where the emphasis of Russian diplomacy has lain over the past few centuries and is vehement in his views that Russia has done its part in upholding Europe's position at the centre of global issues. *"The fundamental changes in our country (Russia) have placed Europe at the epicentre of radical shift in world affairs,"* he argues, citing the fall of the Berlin Wall as a key example of the phenomenon. However, he does show respect for Europe and suggests that the example it gives could act as a demonstration for the world as a whole to follow, articulating that, *"the Old World of Europe is a model of development and integration that demonstrates a remarkable capacity for self renewal, relying on the firm bases of partnership and mediation to resolve international issues."* Although Russia has always seen itself as part of a greater Europe, it has no immediate intentions of joining the EU. Moreover, Ivanov also believes that the goal of a *"Super Europe"* is as far away as ever. In his opinion close cooperation between independent European states rather than a single block, that may prove to be a threat to NATO, is the way to progress towards global harmony.

Ivanov deals with each section of the world individually and with all he emphasises that continuity combined with progress towards common agendas, such as those in the realm of medicine and science, are necessities.

Ivanov has approached this book systematically and eloquently, putting together a work that is both readable and interesting. He believes that Russia has come a long way since its shaky first steps into capitalism in 1991 and especially since President Putin's accession to power, in 1999, provided a much-needed stability. This book's release coincides with a new found confidence that Russia has gained over the past few years and a genuine belief that Russia can have a major effect on global issues for years to come. All this will be judged as Russia struggles to come to terms with internal corruption and the problems caused by rebels in Chechnya. However, at the very least, Ivanov has given us an interesting volume that provides much to be hopeful about as global diplomacy reaches a new era.

Richard Sanders recently completed a BA Hons in History at Leeds University and is currently working as a research coordinator for the European Foundation.

… news in brief

Polish court says it doesn't matter who votes

A severe blow has been dealt to the anti-EU forces in Poland, who have been relying on a low turnout to invalidate the vote. Polish law, like that in many former Communist countries, requires a 50% turnout for the result of an election or referendum to be valid. Anti-EU parties had been hoping that voter apathy and opposition to the EU would combine to produce an invalid vote. Now, the country's Constitutional Tribunal has ruled that the Polish parliament can ratify the accession treaty even if the turnout if below the required minimum. The law passed for the EU referendum includes a provision that the parliament can override the result of the vote if it votes by two-thirds to join the EU, and the Tribunal has now upheld this part of the law. So whatever Poles do on 7 – 8 June, the answer will be 'Yes'. [*Radio Free Europe Newsline*, 28 May 2003]

Stars and Strife: The Coming Conflicts between the USA and the European Union

by **John Redwood**, Palgrave, 2001, ISBN 0 333 91840 1 pp184

Reviewed by Dirk van Heck

This book caught my eye because of the oracular nature of its subtitle. I was expecting a treatise on the coming clash of empires (along traditional lines) and was therefore a little disappointed to find the book rather more lightweight than this. I should not have been – it is, after all, polemical, and Redwood describes the EU as *"imperial"*, in contradistinction to the *"Anglo–Saxon"* model of governance.

Redwood insists that the centralised, bureaucratic European model of supranational organisation must be rejected by Britain if our way of life is to survive into the future

The opening chapter is entitled 'Britain and Britishness at the Crossroads', and describes Britain's increasingly uncomfortable position as piggy-in-the-middle between the US and the EU (in contrast to the 'best of both worlds' view that has traditionally been propagated), a reality that the Iraq crisis has thrown into sharp relief. Redwood cites Churchill's view that informal Anglo–Saxon dominance is the best way of securing world peace, a view shared by George W. Bush and Tony Blair, and insists that the centralised, bureaucratic European model of supranational organisation must be rejected by Britain if our way of life is to survive into the future.

The trouble with adopting this dichotomy as the conceptual framework for the book is that it mitigates against nuance and in favour of over-generalization. Free trade has not always been an Anglo–Saxon virtue – Britain became the exponent of free trade only when it became clear that our lead in the industrial revolution would give us commercial hegemony in unprotected markets, and tariff walls were built by the Baldwin government in the 1930s.

I would also have preferred more analysis of the imperial aspects of American power, which recall the pre-Disraelian commercial dominance of Britain backed up by awesome force when the need arose, as opposed to full-scale, institutional colonialism. Redwood refrains from such comparisons because he is at pains to stress the loose, beneficent, associative nature of Anglo–Saxon international organizations like NAFTA and the Commonwealth, as against the legal-regulatory monolith of the EU. In doing so, he provides a lot of excellent context, and is particularly strong on economics. The number of dot.com references, however (reflective of the Conservative Party's desire to appear modern and relevant under William Hague) already appear rather dated, as does the bucolic imagery of England's green and pleasant land.

Given the way he stresses the central dichotomy, Redwood is surprisingly benign in his conclusions. In the chapter on renegotiation, he lists three *"conventional weapons"* against further European integration: veto, delay and withholding money. He suggests that Britain should not use any of these because all that is needed is for the government to be honest with the electorate about the nature of the European project and for the EU to accept a kind of gentlemen's agreement under which *"Britain could volunteer to join in whenever it saw fit."* Redwood is confident that such intervention from the sidelines *"would be welcomed"*. I think it much more likely that the government intends to press ahead with European integration because it seeks to lock Britain into the European social model without telling people, as most of them do not want this; and the notion that the EU would base a relationship with a powerful neighbour on a gentlemen's agreement is fanciful, to say the least.

Withdrawal from the Union is presented as the *"nuclear"* option, analogous to the Henrician break from Rome in the 1530s, and would be perceived as a *"hostile and illegal act"*, Redwood argues. I think that negotiations for associate status along the lines of Norway preceding the repeal or amendment of the European Communities Act 1972 would not be viewed in such a way – indeed would be far more welcome than Redwood's idea of Britain as the EU's peripheral busybody.

The main difficulty for the author of this book is the fact that he was writing two years ago, rather than today. As it is, it forms a good basis for understanding Atlanticism against European integration, but if a new edition were to be produced, the Iraq crisis and the European Convention could provide ideal foci around which to marshal the context and reach fresh conclusions.

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… news in brief

Ireland to become most expensive country in EU

The introduction of the euro was supposed to ensure price stability as the primary monetary policy goal. In Ireland, however, it has failed to dampen that country's rampant inflation. Now Ireland is about to become the most expensive country in the EU: many East European countries who look to the apparent success of Ireland when they say they are in favour of EU entry, and who say that the 'Celtic Tiger' shows how a small country can be boosted with EU membership and subsidies, do not usually realise how expensive life is there.

According to a recent study by the Irish government, the Forfas Consumer Pricing Report, Ireland is expected to overtake Finland this year as the most expensive EU state. Irish consumer prices are already 12% higher than the European average, while Ireland is the most expensive EU state for pub prices, restaurants, tobacco, rents and food. The same basket of goods which costs €100 in Ireland would cost €85 in France, €72 in Spain and €65 in Portugal. A trip to the off-licence is 60% cheaper in Spain than in Ireland, while rents in Portugal are one fifth of what they are in Eire. Inflation in Ireland was around 5% last year. Membership of the euro has obviously made things worse, as it has in all euro states. [Various reports, with thanks to Anthony Coughlan of Trinity College, Dublin]

Lyndon Johnson and Europe: In the Shadow of Vietnam

by **Thomas Alan Schwartz**, Harvard University Press, 2003,
ISBN 0-674-01074-4, 339 pp., £18.59 ($29.95)

Reviewed by Alex Wieland

When one thinks of the legacy of President Lyndon B. Johnson, one is often presented with indelible mental images of either a plain-talking, somewhat crude career-politician, demonstratively showing off his gallbladder scars to a gathering of shocked foreign correspondents or of a tired, rather haggard-looking leader, worn down by the seemingly unending agony of the war in Vietnam, solemnly announcing to the American public his intention not to seek office again in 1968. In Europe, these images had a particularly strong impact and were key to Europeans' impression of LBJ as the tough-talking Texan boor, ham-fistedly attempting to exercise US power on the global stage without regard for the opinions and reservations of his allies in London, Bonn, and Paris; a man of limited knowledge and limited interest. Indeed, the former US Ambassador in West Germany recalled a request from the President for some *"real German art"* for friends in Texas. After rejecting the embassy's carefully selected pieces, LBJ happily returned to Washington with several pictures of farmers and people in lederhosen, described by one diplomat as *"real junk"*, some accompanied by fictitious biographies of the authors demanded by the President to illustrate to friends the importance of the works they received. Such vignettes have become integral to constructing the impression of LBJ as the classic 'Ugly American', particularly in contrast to his urbane, worldly predecessor, John F. Kennedy. Many historians have shared this assessment, characterizing LBJ as a President largely concerned with domestic politics and, with the exception of Vietnam, indifferent to or even contemptuous of foreign affairs.

However, Thomas Alan Schwartz, professor of history at Vanderbilt University, in this enlightening new work dealing with Johnson's European policy, argues that this characterisation does not do justice to the President's legacy. While there can be no doubt that the President's earthy nature and apparent obsession with events in Southeast Asia were seminal influences in his dealings with European leaders and coloured his outlook on decisions undertaken by them, Schwartz maintains LBJ was by no means the country-bumpkin-turned-world-leader that he has come to be known as. Rather, Johnson did recognize the importance of working with European leaders and sought to promote transatlantic cooperation throughout his time in the Oval Office, a stance which did not come without significant challenges.

The general tenor of US–European relations particularly in the latter half of the 1960s can best be described as turbulent. Although generally united by their mutual commitments to each other's defence, the US and its European allies found much to disagree upon. Whilst nearly all of NATO's European partners, at one time or another, expressed reservations about US action in Vietnam, France in particular became Washington's most vociferous critic. Challenging the United States' action in Southeast Asia and its dominant position in European affairs, most notably in defence, France sought to chart its own course by developing an independent nuclear capability, withdrawing its troops from NATO's unified command structure, and pursuing new relationships with Moscow and Beijing. This, in turn, sowed the seeds of mutual discord between the US and its oldest ally, a situation made worse by personal conflict between LBJ and President de Gaulle. Moreover, international monetary, balance of payments, and trade disputes, particularly with West Germany and the United Kingdom, two of the White House's more steadfast allies throughout the period, tore at the fabric of the Atlantic Alliance.

Through all of this, Schwartz argues persuasively, LBJ used his well-developed political acumen to work diligently on damage control, soothing adversaries like de Gaulle and friends like Erhard and Wilson alike. *"I do understand power, whatever else may be said about me,"* Johnson once said, *"I know where to look for it, and how to use it."* Recognizing that US troubles elsewhere could only become more burdensome if relations with Europe were allowed to continue to fester, Johnson tried to build on Kennedy's initiatives with regard to reducing nuclear tensions, a foremost concern in the minds of the Continent's leaders. In many ways, Schwartz reminds the reader, Johnson helped spur the development of détente with the USSR and nuclear disarmament, whilst acting to keep a strong, united Western alliance, a point often overshadowed by the heat of the East-West conflict in Vietnam. At the same time, he addressed the problems of trade between the US and the Continent, and with an eye to keeping the emerging European Economic Community (EEC) from withdrawing into an implacably illiberal, anti-American bloc, sought to promote the cause of free trade and reform of the international monetary system.

Such an analysis, given recent tensions between Europe and another Texan in the Oval Office, George W. Bush, is certainly a timely one. Certainly any follower of foreign affairs will be tempted to draw parallels between the circumstances surrounding Johnson's relationship with America's European allies and those present in today's transatlantic dialogue, making the easy equation between Vietnam and Iraq. Yet, to draw too fine a point on these similarities also invites a certain ahistorical line of thinking that Schwartz wisely avoids. However, he concludes his study with an interesting comment on the nature of America's relationship with its allies. He recounts an incident in which de Gaulle tried to characterize the US Presidency. The French President claimed that while Roosevelt and Kennedy *"were masks over the real face of America,"* Johnson was *"the very portrait of America. He reveals the country to us as it is, rough and raw."* Although Schwartz points out that it was not the General's intention to praise the US or its leaders, he, in the end may have paid LBJ and his country an *"unintended compliment"*.

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The Struggle for Europe: The History of the Continent Since 1945,

by **William I. Hitchcock**, Profile Books, ISBN 1861972334, 528 pp., £25.00

Reviewed by Alex Wieland

When one looks at the events of the past century, few will dispute that contemporary Europe has been defined by conflict. Through two world wars, the Continent has encountered firsthand the horrors of 'total war' with all of its attendant political, economic, and social upheaval. Yet, as the guns fell silent in May 1945, a new, much longer conflict began, one in which the fortunes of Europeans would be heavily determined by the global rivalry between victorious outsiders, namely the new 'superpowers' of the United States and the Soviet Union. The Cold War, which developed from the breakdown of the wartime entente, became the defining feature of postwar European history, a struggle between the competing ideologies of communism and capitalism that divided the Continent both politically and ideologically and from which it is only now, over a decade after its end, beginning to recover.

However, this does not mean that Europe was merely a passive pawn in the global power game between Washington and Moscow. At the heart of this new survey of postwar European history by William I. Hitchcock, professor of history at Wellesley College, Massachusetts, is the notion that the Cold War was as much a struggle between the Europeans themselves as it was one between the US and USSR. Nor is it sufficient, Hitchcock asserts, to simply portray the two competing power blocs and their respective European supporters as merely two monolithic Titans battling one another for supremacy. Instead, it is clear that, as resistance movements grew in Soviet-dominated Eastern Europe, opposing the direction of the Kremlin, Western European leaders, particularly Charles de Gaulle and Willy Brandt, also sought to chart new foreign policy courses, sometimes to the consternation of planners in the White House.

So, the interpretation which comes out both eloquently and forcefully in this powerful tome by an individual widely recognized as one of America's best young historians, is one of Europeans as important shapers of their own destinies since 1945. Within the broad fight of the Cold War, Hitchcock argues, Europe also sought to redefine itself and to separate itself from its violent past. This, in turn, spawned new struggles as policymakers sought to contain and eliminate the evils of expansionist nationalism and state-sponsored racism that had led to the devastation of the Continent in the first half of the century. For some, at least in the West, the way to avoid a repetition of those years lay in the tighter economic and political integration of Europe's nations. Others, of course, have argued that this idea conflicts with more traditional notions of national identity and state sovereignty. Obviously, this is a controversy that has remained a fixture in the political dialogue for much of the postwar era and is bound to remain so for some time to come as Eastern Europe begins to grapple with this problem for the first time.

The main danger, he proposes, is the rising tide of far-right extremist groups across the Continent

However, it is not the battle between federalists and anti-federalists that Hitchcock maintains is the most dangerous struggle for the future of a stable and free Europe. The main danger, he proposes, is the rising tide of far-right extremist groups across the Continent, as Europe seeks to adapt itself once again to the new political climate that has developed in the aftermath of the Soviet Union's collapse in 1991. Hitchcock draws a parallel between the growth of these groups and the increasing popularity of their ideology with the resurgence of far left-wing political movements following the Second World War, a process largely aided by the intervention of the USSR. Just as Soviet-inspired subversion posed a threat to the emergence of a liberal, prosperous Europe after 1945, a process he thoroughly explores using documents from recently declassified sources in the former Soviet Union, Hitchcock maintains right-wing extremism threatens Europe's future.

To counter this new threat, Hitchcock suggests that European leaders employ the same strategy that successfully stemmed Soviet encroachment in the late 1940s and early 1950s. He argues that during the early stages of the Cold War, the Wetsern Europeans successfully avoided the fate of nations like Czechoslovakia – which were absorbed into the Soviet bloc following the successful seizure of power by forces loyal to Moscow – by eschewing extremist solutions and embracing their democratic institutions and liberal centrist politics. As a consequence, Western Europe became a true economic powerhouse within a decade and found itself at the forefront of global change in subsequent years, while Eastern Europe languished in the doldrums of economic stagnation and political repression. Much of the success of the far right, Hitchcock believes, stems directly from a prevalent popular belief that Europe's national governments, and especially the European Union, have not adequately represented their citizens' concerns. Europe, he fears, stands to become *"unglued"*. Crediting the EU and its predecessors as acting as positive agents for the economic growth of Western Europe, he maintains it is apparent that the political dimension of the EU's various institutions can best be described as "*Byzantine*".

The solution, he believes, is simple. In short, the European Union must simply become more democratic, more accountable to its population and open itself to further public scrutiny. Without this, the EU will continue to remain a *"distant, unaccountable behemoth, a Leviathan beyond the control of the citizens, and a focus of anger and resentment"*. If Europe is not to fall back into familiar patterns of conflict, genocide, and hate it must be willing to embrace democracy as its predecessors did fifty years ago.

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LISBON

by Richard Sanders



Torre de Belem, Lisbon Photo c/o Portuguese Trade & Tourism Office

Lisbon is a richly cultured city with over 2000 years of history dating back to 60BC, when Julius Caesar made Olispo (present day Lisbon) the western capital of the Roman Empire. The city gained real importance under 400 years of Moorish rule and after its conquest was made the capital of Portugal by Alfonso III, who moved his seat from Coimbra in 1260. Portugal's 'Golden Age' ran from 1495–1521 during the reign of Manuel I. Throughout this time, Lisbon was at the height of its wealth and power. This was a great exploratory age during which Vasco da Gama, perhaps Lisbon's most famous native, became one of the world's foremost expeditionists. In 1497, da Gama discovered the sea route to India, shortly after the 'New World' had been divided up between Portugal and Spain in the Treaty of Tordesillas. These two events had the effect of thrusting Portugal and its capital into the forefront of global politics. The fruits of this rich colonial past can be observed in the stunning architecture and imperial buildings in the suburb of Belem. Examples of these are the magnificent 'Manueline Mosterio dos Jeronimos' and the 'Torre de Belem' waterfront. Unfortunately much of the city was destroyed by the aftermath of 'The Great Earthquake' in 1755 with the ensuing tidal wave and fires destroying most of the city centre.

1807 saw the advance of the Napoleonic army, forcing the royal family out of the city to Brazil. Portugal's ally, Britain was given the responsibility of protecting Lisbon and, under the leadership of Wellington and Beresford, managed to drive Napoleon's forces out of the city leaving the way clear for the king to return from exile 10 years later.

The 20th century was a mixed time for Lisbon. In 1910, the monarchy was overthrown and eventually replaced with a police state under the leadership of Dr Antonio de Oliveira Salazar, whose official title was prime minister. 1974, however, saw the end of military rule in the 'Bloodless Coup', restoring democracy to the Portuguese and marking the end of its colonial empire.

Major recent events have seen Portugal join the European Community in 1986 and the Monetary Union on 1 January 1999. Moreover, despite the destruction of much of the Chiado district of the city due to fire six years earlier, Lisbon was elected 'European City of Culture' 1994. On the back of this success, Lisbon hosted Expo98, a cultural feast that received wide international acclaim.

With the cool Atlantic breezes and a plethora of fine hotels, for both business and pleasure, Lisbon has been a favourite for tourists over the past few years. Unique within Europe, Lisbon boasts a system of hand-hewn cobblestone streets, forming a myriad design, and blue tiles known as 'azulejos' on many of the buildings. Lisbon is a growing city, combining both history and modernity. The expanding suburbs are made up of many high-rise buildings and some of Europe's largest shopping centres.

Lisbon has many cultural events such as a colourful procession through the Gracia district on the second Sunday of Lent and a much larger festival in June to celebrate the city's patron, St Anthony.

The Portuguese government has done much to bring the country into the limelight. In addition to Expo98, Portugal will play host to the 2004 European Cup, allowing Lisbon an opportunity to display its newly renovated football stadiums and focus the media spotlight on the Portuguese capital.

Due to its position on the Atlantic, Lisbon's climate is more temperate than many other costal cities in Europe, with summer temperatures averaging at only 27°C and the sea temperature distinctively cooler that that off the coast of Spain. Despite this, and the damage caused by various fires and tidal waves, Lisbon has much to offer both in terms of history and modern culture. The economy has come on great strides in recent years and, with great efforts being made by the government to enhance Lisbon's reputation, it should no longer be considered as being 'the capital on the edge of Europe'.

Richard Sanders recently completed a BA Hons in History at Leeds University and is currently working as a research coordinator for the European Foundation.

GETTING THERE

Air: Fares start from as little as £60 but during peak season flights can be much more expensive than this. The cheaper options often have restrictions such as minimum of one Saturday spent in Lisbon and maximum of one month's stay.
BA: 0845 773 3377 from Gatwick and Heathrow
TAP Air Portugal: 0845 601 0932 from Gatwick and Heathrow

Bus: For those who don't fly, Eurolines run buses all over Europe. A return journey to Lisbon would cost in the region of £150 and takes about 35 hours, including a 7½ hour stop over in Paris.
Eurolines: 020 8730 8235
www.eurolines.co.uk/eurol.htm

Train: Rail Europe deals with tickets to Lisbon, as it is not covered by the Channel Tunnel service. Second class tickets range in price from £180 to £300 but, with most tickets, stop-offs can be made en route. Journey times range from anything upwards of 25 hours.
Rail Europe: 0990 848 848

SIGHTS

Elevador de Santa Justa
Rua do Ouro, Baixa
Tel. +21 342 7944
Open: 7am – 11pm Mon-Fri, 9am – 1am Sat – Sun
Ticket: €1.60
This industrial age landmark is officially part of the Lisbon transport system. At the top of the lift there is a café, which offers splendid views of the Baixa district.

Castelo de Sao Jorge
Tel. +21 887 7244
Open: 9am – 9pm summer, 9am – 6pm winter
Admission: Free
Positioned high above the Moorish quarter this castle has been occupied by the Romans, Visigoths and Moors during its long history. Rebuilt in 1940, removing all the government offices, it has since become a popular tourist attraction.

ACCOMODATION

Hotel Mundial 4*
Rua Dom Buarte 4, Baixa
Tel. +21 886 4111
Decorative roof garden revamped in exotic Arabic style. Well positioned in the centre of town well equipped rooms with air-conditioning and attentive staff making it good value for money.
Single Room: €15.00 – €20.00
Double Room: €20.00 – €25.00

Hotel Trivoli Lisboa 5*
Avenida da Liberdade 185, Baixa
Tel. +21 319 8900
Consistently popular with the business crowd due to continuing good service. Finely kept gardens and a central location are just two of the strong points here.
Single Room: €35.00 – €45.00
Double Room: €40.00 – €50.00

Hotel da Lapa 5*
Rua do Pau da Bandiera 4, Lapa
Tel. +21 395 0005
Luxurious décor despite a below standard revamp allow this hotel to maintain its reputation as one of Portugal's finest. The price of a room includes use of all of the many amenities on offer including 2 swimming pools and a solarium.
Single Room: €50.00 – €90.00
Double Room: €60.00 – €100.00

SHOPPING

Normal shopping hours in Lisbon run from 9am to 7pm (with a 2-hour siesta time from 1pm) and 9am to 1pm on Saturdays.

Rua de Sao Bento
These busy streets are packed with a variety of lively shops. If you have a lot of time on your hands and enjoy searching for antiques, from in amongst the bric-a-brac then these shops are a must.

Avenida da Liberdade
This street has been having a serious face lift over the past few years and even though it is still possible to see signs of its less respectable past it now plays host to many top designer shops.

EATING

The Portuguese are unashamed carnivores, therefore any vegetarians must at least be prepared to eat fish, lest they find very little to consume from the available Portuguese cuisine.

Porto Santa Maria
Estrada do Guincho, 2750 Cascais
Tel. +21 487 1036
Lunch: 12.15 – 3.30 Dinner: 7 – 10.30
Situated about half an hour's drive outside Lisbon this restaurant serves some of the world's best seafood and fish. Excellent views and food but the bill will reflect this.

Brasserie de l'Entrecote
Rua do Alecrim 117–121, Chiado
Tel. +21 347 3616
Lunch: 12 – 3 Dinner: 8 – 12
Simple and satisfying place to eat. Great if you like steak, terrible if you don't.

GOING OUT

If you are a night owl you will find many a kindred spirit in Lisbon. It is swiftly being recognised as one the best places to go out in Europe. Therefore Lisbon has many bars and clubs to suit most people's tastes.

Bairro Alto
This district transformed itself in the 1980's into Portugal's premier nightlife spot. It is no longer as trendy now as it once was but there is sure to be at least one place amongst the thousands of bars that line the streets for anyone to find an agreeable waterhole.

Docas
The Lisbon docks have been undergoing a period of redevelopment since the early 1990's, and the results are mixed. Whilst tourists might not feel so vulnerable as in the Bairro Alto, they also won't get a feel of the 'real Lisbon' here. However themed bars and English speaking clientele will keep those not bothered with authenticity amused.

CHUNNEL VISION

by Dr Lee Rotherham

Laeken sounds like a pleasant place. As a backdrop to the chateau in this suburb of Brussels, the Royal Greenhouses stretch out over six acres of neoclassical rotundas, domes and galleries. Twenty gardeners tend the giant ferns, fruit-bearing banana trees, grottoes, glades and grassy vistas. You might spot a local with his Laeken breed of shepherd dog strolling along one of the walkways, that are filled with climbing geraniums and fuchsias, whose blossoms form an overhead canopy.

Laeken could have become more. Its very name could have been a whispered watchword for genuine and far-reaching reform of the European Union.

On 14/15 December 2001, the EU's heads of government met here to discuss international events, in particular the situation in Afghanistan. But they also agreed to a florid text to suit their surroundings, the Laeken Declaration, setting out a series of questions which would be addressed by the members of a Convention on the Future of Europe.

At 3,500 words, its conciseness, and at times poetry, could have turned it into a pronouncement of historic proportion. It recognised the failures in the EU today (itself an achievement) and named the terms for the debate, in which we now find ourselves viewing the end game. The essay is packed with question marks and interrogations but we can simplify to identify eleven main concerns.

1 *Closer to its citizens*. The EU is viewed as rigid and unwieldy. How do we inject democratic scrutiny?

2 *The EU in the modern world*. After the rude awakening in New York, what is Europe's changed role?

3 *An assessment of competences*. The Declaration lists many. But it also identifies a sense of bureacratisation, red tape, and unwarranted harmonisation. What Europe's citizens expect *"is more results, better responses to practical issues and not a European superstate or European institutions inveigling their way into every nook and cranny of life."* So what tasks could better be left to the member states?

4 *Simplification*. EU legislation comes in too many forms.

5 *Limits of Union*. How to prevent treaty creep (especially looking at the 'rubber articles' 95 and 308).

6 *National Parliaments*. What is their role? How can we enhance the authority of the EU institutions? How do we increase transparency?

7 *Efficiency*. Do we need more QMV? What about the Presidency?

8 *Treaty technicals*. The distinction between the types of treaty: the Three Pillars.

9 *Treaty separation*. How would the new treaty fit together?

10 *The Charter of Fundamental Rights*. Incorporate, or not?

11 *A Constitution*. Do we want one, and what should go in it?

These questions set out a very large stall. On the one hand, it put the discussion of a federal constitution on the table with more QMV, a collapse of the intergovernmental aspects of the current arrangements and the basic elements of continental governance. On the other, the participants could reject these ideas, and turn instead to a debate on putting national parliaments back in control, in an intergovernmental construct, which would create a widespread restoration of powers to national capitals, and a reversal of five decades of integration.

Certainly, the latter interpretation was the one preferred by the UK Government at the outset. Tony Blair was quite clear when he reported back to the Commons on 17 December: we would see more framework decisions, with details of legislation left to member states. We were *"looking at the prospect of restoring some tasks to the member states,"* which would be decided after a careful analysis. We were leading the debate, and any expressed doubt that national parliaments may be further degraded was *"curious"*. Deregulation was at hand – *"The body of opinion in Europe is moving towards an easier and lighter-touch process rather than the heavy-handed regulation that perhaps we had in the past."*

Such rare promise in a text, and so speedily betrayed.

All elements as might have restored the balance of intergovernmentalism were contemptuously smothered. The representatives of the Union's institutions have been bartering since day one for more powers for themselves and their colleagues. National Governments, as ever, have been peddling their own initiatives and ceding ground elsewhere in order to win these trifling prizes (the UK Government proposal for a President of the Council is a prime case in point). National parliamentarians have, in ludicrous numbers, been utterly hopeless in defence of their own interests, sometimes through a cloudy cocktail of idealism and ignorance, and at others simply by being outmanoeuvred by professional Brusselians with legal support staff in the shadows and a conference room at every opportunity.

Static Russian columns facing Napoleon at least fought back.

The MP group, though numerically superior, has thus been dispersed by grapeshot. Even the rallying standard of the *"parliamentary red card"* – a mechanism so weak that it could only be triggered by the scarcely imaginable cataclysm of two thirds of parliaments being driven to rebel over the same item of legislation – found these ranks grumbling and reticent.

There remained pockets of resistance, true to the Laeken ideals. The voices were there to be listened to: fishermen called for the restoration of national control over their fates; twenty Bruges Group supporters expressed an early desire to return to the fundamentals; three Conservatives (including the Europe Spokesman) sent Giscard an open letter calling for Laeken to be revisited; leading eurocritics from fourteen countries united to state that there was still time – just – to correct the deficit. Individual guerillistas fought tenaciously within the conference chamber.

Response there came none. The ghost ship of democracy drifted on, into the dark night.

So when you hear a Government supporter over the coming weeks explain that the deal on the table was the best that was available, treat him with the contempt that he deserves. When he claims that no one argued for powers to be restored to democratic control, don't accept a word of it. When he marvels at the pretended negotiating prowess of his bosses, remind him of the mandate that could have changed the face of a continent, and lies like Ozymandius in the dust.

Laeken is the home of the royal chapel, where rest the bones of Belgian monarchs past. As the Federal cabinet, Crown, and Flanders legislature argue over who is to pay its maintenance, that sepulchre of governance now sinks slowly into decrepitude.

Yes, Laeken has a lot to tell us what future form Europe's government will take.

Dr Lee Rotherham is secretary of Conservatives Against a Federal Europe and an adviser on European affairs.

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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