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THE EUROPEAN JOURNAL

The Journal of the European Foundation



Rt Hon. John Redwood, mp
Convention on the Future of Europe

&

Timothy Less • Laura Coogan
Matthew Elliott • Professor Tim Congdon
Annunziata Rees-Mogg • Michael Fabricant, mp
Tony Lodge • Martin Essex
Dirk van Heck • Benjamin Wootliff

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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.

French Diplomacy: War by any other means

The "spirit of solidarity" in foreign policy demanded of EU member states by the Maastricht Treaty has been little in evidence in recent weeks. The Iraq crisis has revealed a fault line in the EU; one which has been emphasized and deepened by the latest round of expansion. This fault line has been created by the EU's superpower pretensions. Polls suggest that the country which would most like to see the EU as a superpower in its own right, capable of challenging the USA on the world stage, is France; the same country that scuppered the 'second UN resolution' so ardently desired by the British government. In the Iraq crisis, France has shown itself willing to use against Britain and the US a pre-emptive veto more damaging to global political stability than the pre-emptive use of force by the US.

It is clear that M. Chirac has been supported in his actions by a large proportion of the electorate in the EU, and that his domestic ratings have soared as a result of this stance. Yet the peoples of Europe do not want war because they find the prospect frightening. They are inclined to see the UN as something akin to a world government because they wish it was one, and international law as the international manifestation of 'the rule of law'. The reality is that international law, like war, is politics by other means. Those who support the war in Iraq argue that that it is legal; those who oppose it, that it is illegal. The press tells us that *"international lawyers are divided"*, but they are divided along political lines. Unlike domestic law, international law is not all about interpreting legislation and case law; it involves, to a significant degree, making political judgements. The government owes a debt of gratitude to Bill Cash for calling on the Prime Minister to publish the legal basis for the war in the House of Commons and on the *Today Programme,* since this has prompted Lord Goldsmith to publish his legal advice to the Cabinet; a constitutional first for an Attorney-General in a time of war. It was necessary to do this because of the public's concerns about the legitimacy of the war with Iraq – concerns that the government has failed to dispel. Publishing the legal advice changed the nature of the Commons' debate because nobody argued against the Attorney-General's advice. At least we now know that the government does not consider itself 'above the law' – a disastrous perception of a government in time of war.

Speaking of the division of Europe over the Iraq crisis, the Prime Minister said in the Commons debate on Tuesday, *"At the heart of that division is the concept of a world in which there are rival poles of power, with the US and its allies in one corner and France, Germany, Russia and their allies in the other. I do not believe that all those nations intend such an outcome, but that is what now faces us. I believe such a vision to be misguided and profoundly dangerous for our world. I know why it arises. There is resentment of US predominance."* One wonders what Mr Blair meant by saying that he did not believe that *all* those nations intended such an outcome. It is likely that France and Germany do, in light of the policy that there should be an inner defence core in the EU, which extends back to Maastricht in 1992 and has been cultivated through Amsterdam, St Malo, Cologne, Feira, Nice and Laaken. Tony Blair is himself in a contradictory position; he has actively promoted further integration in Europe and is now straddling an increasingly uncomfortable fence.

There are some who believe that the diplomatic fallout over Iraq will render the European Constitution emerging from the Convention on the Future of Europe dead on arrival. The British media seem to agree that the Common Foreign and Security Policy is at least *"many years away"*. Chirac is using a familiar refrain that has caused many to miss the subtlety of the French strategy. In drawing out the issues in such a painful and damaging way, M. Chirac has exposed the failure to generate consensus on foreign policy within the EU, which we have always believed was impossible because foreign policy is based on national interests. The Convention proposes what those who understand the business of government already know – that an effective foreign policy lies within the remit of a strong and national executive. He has also exposed the rift between the US-friendly members and future members of the EU, who prefer less integration (which will require renegotiation of the existing treaties), and those who seek to press ahead with political unity. It may be that the hard line that France has pursued on Iraq (with the timid blessing of Germany) will be followed by an equally hard line on further European integration. As we have said since our foundation, this is the wrong way to go.

All is Not Quiet on the Eastern Front

by Timothy Less

Recent history suggests that, in matters of foreign policy, the cohesiveness of the Western alliance is made and broken in Eastern Europe. During the four decades of the Cold War, the clear and present danger of attack by members of the Warsaw Pact welded the states of Western Europe into a common anti-Soviet stance. In the twelve years since the collapse of Soviet power, the situation has reversed; events in Eastern Europe – whether civil war in Bosnia, state collapse in Albania, rebel skirmishes in Macedonia or genocide in Kosovo – have posed the greatest threat to the unity of the EU's member states.

Few expected that on the issue of Iraq, a country far beyond the EU's borders with which the nations of Eastern Europe have no shared history or direct strategic interest, they again would be the agencies that split the EU in half on a foreign policy issue. A few weeks ago, however, this is exactly what they did.

The stage was set on 22 January by France and Germany's articulation of an 'agreed' EU position that the weapons inspectors should be given more time and that, if war must happen, under no circumstances should it be waged according to a timetable drawn up in Washington. Put another way, war was deemed morally unacceptable until judged otherwise by Paris. A number of other countries in the EU, such as Belgium, Sweden, Finland, Austria and Greece, all gave the nod to this view. Britain, predictably, dissented, as did Spain, Italy, Portugal and Denmark. However, their Atlanticist leanings were dismissed by Paris as unrepresentative of European opinion and, ultimately, subordinate to the line defined by France and Germany. Arguably, Paris was right.

Right, that is, until 30th January when the leaders of Poland, Hungary and the Czech Republic suddenly entered the fray by putting their names to a Spanish document expressing solidarity with America's hardline stance towards Iraq. The Spanish document was followed on 5 February by a statement from the so-called 'Vilnius 10', comprising the three Baltic States, Slovakia, Slovenia and five Balkan countries.† The statement concurred with the American view that Iraq was already in material breach of UN Security Council Resolutions. It also called upon the Council *"to take the necessary and appropriate action in response to Iraq's continuing threat to international peace and security"*; in other words, to authorise war. The majority of states went even further over the next few days, pledging both troops and logistical help in any US-led attack. In a stroke, the Eastern Europeans tipped the balance of opinion (and power) in Europe. Beforehand, only five out of the fifteen member states had dissented from the 'agreed' position. Now at least fifteen members or soon-to-be members of the EU were at odds with France and Germany.

The Franco–German reaction was swift and categorical. President Chirac described the Eastern Europeans as 'childish' and 'badly behaved' and scolded them for missing their opportunity to shut up. He also hinted that by failing to consult France and Germany before speaking out they were endangering their chances of acceding to the EU. Chancellor Schröder dismissed the document out of hand, insisting that the Eastern Europeans' opinion would do nothing to alter Germany's position. Other EU members, as well as the European Parliament, stepped up their attack on Washington's policy in an indirect reproach to the Eastern Europeans.

Why did thirteen aspiring EU states, which had previously been willing to toe the Franco–German line on foreign policy, take the considerable risk of driving a wedge through the middle of the EU on such a highly emotive foreign policy issue as the Iraq war?

For two of the answers we need look no further than the statement by the Vilnius 10 itself. It is no accident that one of the crucial sentences in the declaration begins, *"The transatlantic community, of which we are a part …"* For by explicitly stating this, the nations of Eastern Europe were making clear to France and Germany their belief that their future security and independence depend as much on the US as on the EU.

The reasons for this are commonly understood. Throughout the Cold War, and particularly during the 1980s, America worked harder than any other country for the liberation of Eastern Europe. Where Germany and others had for years sought détente, Ronald Reagan stood in front of the Berlin Wall facing the Eastern Bloc and demanded, *"Mr Gorbachev, tear down this wall."* A year later, communist power collapsed.

More recently, the United States has been among the strongest advocates of EU enlargement, the driving force behind the expansion of NATO and, through a network of multilateral institutions, has financed much of the economic transition taking place in the region. These efforts are not lost on the Eastern Europeans. Add to these the facts of large ex-patriot communities in America, a lasting love of American culture and widespread admiration for the American Dream and the conclusion is clear: the governments of the region have no wish to see the EU part ways with the United States.

A second answer is also spelt out in the statement by the Vilnius 10: *"Our countries understand the dangers posed by tyranny and the special responsibility of democracies to defend our shared values."* On this point, we should again take them at their word. Ask an average Eastern European whether force is the only way to disable Saddam and he will simply shrug and tell you, *"He's a dictator."* Enough said. The new democracies do indeed have privileged insight into the inner workings of tyranny. When they saw France, Germany and other countries advocating policies they know would never have worked against their own communist-era dictators, it was not surprising that the Eastern Europeans should have wanted to challenge those policies, if only for the sake of the Iraqi people.

However, these reasons alone do not explain why the Eastern Europeans should want to get drawn into such a hot-blooded debate over (to use Chamberlain's notorious verdict on German–occupied Czechoslovakia), *"a faraway country about which we know nothing"*. The third answer to our question lies in the very fact that they chose to express a view so deliberately on an issue far-removed from their immediate concerns: the declaration was a calculated attack on France and Germany and their presumption to speak for Europe.

In the weeks leading up to the declarations, France and Germany had been behaving in what the Eastern Europeans perceived to be an increasingly

chauvinistic manner. In January, the two countries privately mooted a plan for the new post of President of the Council of Ministers. To the small countries of the East, this smacked of a ruse to secure big power domination of the Union. Shortly afterwards, France and Germany took the opportunity provided by the 40th anniversary of the Elysée Treaty to announce plans for much greater bilateral integration including, crucially, the formation of co-ordinated positions on all future EU foreign and defence policies. Speculation that, after a frosty couple of years, the Franco–German alliance might be dead had been proved misjudged. The alliance was alive, and was poised to undermine collective decision-making in the EU once again, just as the Eastern Europeans entered it.

Added to wider concerns about second-class membership of the EU (which many Eastern Europeans attribute to Franco–German machinations); about the Franco–German vision of a harmonised, pan-European, high-tax, high regulation economic system (anathema to the free-marketeering Easterners); and about how power is distributed within a Union (whether Soviet, Yugoslav or European), the message the Eastern Europeans were making to France and Germany became clear: we are confident sovereign states, with our own views on international affairs and our own vision of how Europe should be run. Now is the time to start listening to us.

So where does this leave plans for a European Common Foreign and Security Policy (CFSP)? In the immediate aftermath of the Eastern Europeans' rebuff, Valéry Giscard d'Estaing who is presiding over EU's Convention on the Future of Europe, declared the Policy 'dilapidated' and suspended negotiations on Article XIV of the proposed EU Constitution, which relates to the CFSP, until the Iraq crisis blows over.

Predictably enough, federalist opinion seized upon the rancour as proof of the need for greater 'pooling of sovereignty' in matters of foreign policy. A statement released by the European People's Party talked of *"the constitutional duty"* of all member states to observe *"the common interest in all foreign and security matters"*. It went on to demand qualified majority voting in matters of foreign policy; the appointment of a European Minister for Foreign Affairs; the creation of a European diplomatic service; and an increase in the Union budget to finance these changes. Giscard d'Estaing allied himself to this cause, as well as to France and Germany, by calling for the appointment of a President of the EU who could co-ordinate a common position between member states on matters of foreign policy. Under these circumstances, perhaps a CFSP could be made to work, but only at the price of denying states the right to act independently of Brussels.

Assuming, however, that eurosceptic opinion prevents a strengthening of the EU's institutions in this most sensitive of areas, two other theories pertain. The first is what Timothy Garten Ash has described as the great European *"love in"*. According to this view, EU member states will form ad hoc alliances on any particular foreign policy issue based on any number of variables, be they historical or cultural allegiances, government ideology, real-politik or crude self-interest. Such practices would hardly fulfil the aspirations of the CFSP, although one can imagine the EU's institutions playing some role in the process of states forming their positions.

The second theory assumes a more permanent rift within the EU. It understands that governments will adjust their foreign policy positions according to local and temporary circumstances. However, it also recognises something more permanent. In the case of Iraq, the key factor in determining the stance taken by the various European states in the run up to war was not oil or sovereignty or the role of the UN or even peace. It was fundamentally about the position of the US in global affairs and, specifically, whether governments perceived American power to be a force for good or ill in the world. Given that the United States now appears to be on a crusade to clean up the failed states of the world that it believes to be breeding grounds for terrorism, it is a fair to assume that Washington will be at the centre of almost all major foreign policy issues over the next few years. For this reason, we can surely expect the EU to divide again along the broadly pro- or anti-American lines that we have seen during the Iraqi crisis, leaving the CFSP … well, … nowhere.

And as for the Franco–German axis? In the last few weeks, we have seen the arrival onto the international stage of a number of important new players. Eastern Europe has proved it is no longer simply a source of problems but is also capable of presenting solutions to other people's problems. France and Germany may try to speak for the Union as a whole. But in a long-established tradition of provocation and dissent, be prepared for the Eastern Europeans to start arguing back.

† The five Balkan countries are: Albania, Bulgaria, Croatia, Macedonia and Romania.

Timothy Less is a political risk analyst of Eastern Europe for the ratings agency Dun and Bradstreet.

… news in brief

Brussels threatens to fine France

The European Commission has decided to react to France's notification that its budget deficit was 3.04% in 2002, slightly above the Maastricht ceiling of 3%. It is expected to be closer to 3.5% in 2003 if measures are not taken to stop it. The decision to allow the deficit to go just above 3% can be interpreted as thumbing a nose at the Commission; Prime Minister Raffarin would be doing the same thing as Dominique Strauss-Kahn, Lionel Jospin's finance minister in 1998, who allowed the deficit to rise to 3.02%. The Commission has said that it will initiate the excessive deficit procedure, even though Paris says that this should not be launched until the deficit is 3.1%. Eurostat has first to look at the figures and see if it comes to the same calculation. It will do this on 17th March; the following day, the commissar responsible should then launch the procedure. His proposal then goes to the Ecofin council of the 15 finance ministers, who vote on it by qualified majority. If they vote in favour, France will be instructed to take measures to cut the deficit. France is now the third country to have violated the famous rules in the Maastricht treaty, Germany and Portugal having also gone above 3%. The maximum penalty France would have to pay would be 0.5% of GDP. [Virginie Malingre et Arnaud Leparmentier, *Le Monde*, 3rd March 2003]

The French Prime Minister, Jean-Pierre Raffarin, is doing everything to escape this punishment. He is relying on tax cuts to boost growth, something the excessive deficit procedure would forbid. Paris and Brussels are therefore now arguing about whether the final figure will be rounded up or down (3.038% is rounded down to 3%, 3.05 % is rounded up to 3.1%). Raffarin is therefore saying that the limit has been reached but not exceeded. By contrast, the Commission's spokesman, Jonathan Faull, says that the rules do not provide for rounding up or down and that, if the deficit is above 3% then the procedure is launched.

Convention on the Future of Europe

By Rt Hon. John Redwood, MP



Many of us have long feared the end game in the creation of an EU federal state. We have opposed the long diminution of our power to govern ourselves through successive Treaties and decisions**.** Now we have finally reached the end game: the Convention on the Future of Europe.

Worse still, reading the drafts coming out of the Convention on the Future of Europe, the end game is not the creation of a federal state. It is the creation of a strong, centralised bureaucracy. It would devour your cash, regulate your life and would not be answerable to you. This unelected Commission will have wide ranging powers to make laws, enter treaties, spend money and conduct a foreign policy with no direct democratic accountability. As we expand to 25 member states, each one will find it can do little to arrest the progress of centralisation, or to change the decisions that the Commission has determined upon.

The draft constitution sets out to change the present three-pillar structure of the EU. The idea was that the single market and economic matters should be more centralised than foreign policy or criminal law. These latter two were left as inter-governmental, where each country preserved the right to veto or opt out in order to respect their differing legal traditions and differing views on world problems. The EU has begun to erode this structure. We already have a High Representative, an EU official, travelling the world projecting an EU-wide foreign policy and now we are asked to turn 32 offences into EU-wide criminal acts, with an EU arrest warrant that can be used to take suspects to trial across frontiers.

This unelected Commission will have wide ranging powers to make laws, enter treaties, spend money and conduct a foreign policy with no direct democratic accountability

We are to see the pillars pulled down. All foreign policy and all criminal law will become Union matters, where the EU will decide what the Union will do and how much discretion is left to member states. Great nations will be expected to swear allegiance to the foreign policy of the Union, and to accept the superiority of an EU criminal jurisdiction. The architecture of the old EU is to be stood on its head under the proposed arrangements. At the moment the member states contract together to grant powers to the EU institutions. In the draft constitution the EU has a legal personality of its own, with wide-ranging powers: the EU grants rights and powers to citizens and nations on its chosen basis.

The EU has decided to assert itself as the sole power in areas like the regulation of industry, trade and commerce and the negotiation of international agreements. In many other areas like health, the environment and transport, it accepts a shared competence or power. Sharing is not quite the friendly arrangement you might imagine, for if the EU decides to occupy ground or legislates in a shared arena it is no longer open to the member state to intervene or make its own decisions.

The EU plans a new way to legislate. It wishes to introduce regulations or 'non-legislative acts' that will directly operate in each and every member state. These will be

determined by the Commission alone. The Charter of Fundamental Rights will be incorporated into the constitution.

Many people will ask, *"Does all this matter?"* It sounds arcane. The prose is prolix and tedious. Some of the language bears a family relationship to language we have seen before in older treaties. Will it really make any difference to someone's pay packet, or to their health service, their transport system or their liberties?

We must fight for our freedoms

We must tell them it will and it does. We must fight for our freedoms, and prevent our pragmatic, liberty-loving, flexible and historic British constitution from being rolled up to be replaced by this very different continental model. A model that would mean General Elections could not change many laws we did not like, because they would be made in Europe. It means we will have to obey laws that we had little or no part in fashioning. It means we will no longer be masters of our own destiny, capable of governing ourselves.

… we will no longer be masters of our own destiny, capable of governing ourselves

No one should doubt how radical or serious this document is. As it states, *"The constitution, and law adopted by the Union institutions in exercising competences conferred on it by the Constitution, shall have primacy over the law of the Member states."* The powers are wide-ranging and fundamental. They include *"the competence to coordinate the economic policies of member states"*, *"the competence to define and implement a common foreign and security policy, including the progressive framing of a common defence policy"* and exclusive competence *"for the conclusion of an international agreement"*.

We have been warned. Four years ago I asked if we were witnessing the death of Britain, as power was taken away. This Constitution will represent the burial of Britain. These leaden words will inter our once free, proud and independent country.

John Redwood, MP for Wokingham, is Shadow Secretary of State for the Environment and Head of the Parliamentary Campaigns Unit.

… news in brief

Klaus elected president of the Czech Republic

The squeals were audible on Friday night, 28th February, when the former prime minister of the Czech Republic, Václav Klaus, was elected President. Klaus has for long been known as a eurorealist, and he has increased his unpopularity among the euro-cognoscenti in recent years by questioning the wisdom of the Kosovo war, and by dissenting with the US over Iraq: he recently abstained from a parliamentary vote on sending Czech troops to the Gulf.

The election for the president of the Czech Republic is a parliamentary vote, and it took three attempts before Klaus' final victory on Friday. In this third attempt, the government had put forward a professor of philosophy, Jan Sokol, a man so obscure that he was supported by only 2% of public opinion.

One factor influencing Klaus' election was the ongoing question of the Beneš decrees, on which the *EF Digest* has reported before. Klaus received the support of members of Parliament from the Communist Party of Bohemia and Moravia, *inter alia* because they feared that Sokol was being too accommodating towards the Sudeten Germans who are demanding at the very least an apology, and perhaps even compensation, for having been driven out of Czechoslovakia after the war. Klaus, by contrast, has always remained firmly opposed to any revision of the decrees. Concern that the decrees might be rescinded, and that the Germans might return to claim back their houses, had caused a surprise increase in the Communist vote in last June's elections, especially in border areas where Sudeten Germans had previously lived.

In his acceptance speech, Klaus said that he was pleased to have won support from all sections of political opinion represented in the Parliament. But the support given to him by the Communists provided weaponry for the attacks on him that came immediately from the German and Austrian press. *"Stalin's Greetings to Klaus"* was the headline of one particularly tasteless article, which absurdly claimed to see significance in the fact that the election occurred on the anniversary of Stalin's death. [Josef Kirchengast, *Der Standard*, 3rd March 2003] The journalist described it as *"the worst humiliation"* for the outgoing president, Václav Havel, that Klaus had been elected with the support of the Communists, *"the inheritors of Stalin"*. [Hans-Jörg Schmidt, *Die Welt*, 1st March 2003] It is amusing, indeed, that this should be the line of attack since Klaus is usually attacked for being *"an ultra-liberal"* and *"a Thatcherite"*. [See Martin Plichta, *Le Monde*, 3rd March 2003]

Hostility to Klaus' election was also expressed by the president of Pan-Europa Union Deutschland, Bernd Posselt, a German MEP close to the German expellees who also sits on the committee for relations with the Czech Republic. He said it was "shocking" that Mr Sokol, "a convinced Christian and European" should have been called "unelectable" during the campaign. Mr Posselt ended his communiqué menacingly by saying, *"In the EU close attention will be paid to whether the important role played by nationalists and communists in this election will lead to a strengthening of these forces."* [Statement, 28th February 2003, http://www.sudeten.de/bas/index_a.htm]

Immediately after his election, Klaus moved to reiterate his opposition to a war on Iraq and to European federalism. He said, "Nobody will hear strong words from me in support of a war." This distinguishes him sharply from Václav Havel, his predecessor, who rushed to support the US–UK position in the "Letter of the Eight" last month. Klaus said that he would never have signed this letter, which was signed by President Havel a few days before he left office, and after the Czech government had refused to sign it. Klaus indeed criticised Havel for failing to consult with the government before doing so. Klaus also rejected the label *"Eurosceptic"* saying that he was instead a realist. He said he intended to reject a federalist model for EU integration, saying that such a model meant more power in Brussels and less in Prague. On the Sudeten question, he said he did not want to add to the German–Czech declaration he signed as prime minister in 1997. [Interview on *TV Nova*, 2nd March 2003]

New Europe lines up behind US and UK

Latvia is the latest East European country to announce its participation in *"the operation to disarm Iraq"*. Other countries in Eastern Europe have given varying degrees of support to the UK and US attacks, including Macedonia, Latvia, Poland, Ukraine, Estonia, the Czech Republic, Slovakia, Hungary, Romania, Bulgaria, and Lithuania. [*RFE Newsline*, 18th & 19th March 2003]

FACTS

by Laura Coogan

"Whatever the outcome of the war, there can be no denying this is a bad time for the Common Foreign and Security Policy." Romano Prodi, President of the European Commission, being typically expressive on the subject of the Iraq war.

The Commission proposes that the constitution sets out the principles by which the EU budget should be organised, namely unity, annuality and specification, and equilibrium. The treaty shall also enshrine the idea of the multi-annual financial framework, as well as the financing of the budget by own resources and the joint decision-making procedures relating to them.

"Enlargement calls for more Europe. This is true for the institutions but it also true for politics. Not one single European country is big enough or important enough to have its voice heard if it chooses to act alone." Another quote from Romano Prodi, this time in response to the Kok report on enlargement.

The EU needs 500,000 extra researchers in order to stop the brain drain to the US and to achieve the objective of raising Europe's investment in research to 3% of the gross domestic product (GDP). The Commission has therefore decided to earmark 1.58 billion euros, or nearly 10% of the overall budget, for the training, mobility and career development of researchers. *"More and more researchers trained in Europe leave for, and remain in, the USA. These considerable losses in terms of human resources are a drain on European research resources",* said European Commissioner Philippe Busquin.

European Commission proposes an update of the Accession Partnership and a significant increase of pre-accession support for Turkey: The European Commission has proposed a revised Accession Partnership for Turkey as well as a significant increase of the EU pre-accession financial support. This partnership sets out the priority areas for further work such as the fight against torture, the alignment with the European Court of Human Rights judgements and the respect of fundamental freedoms (expression, association, religion). It is expected that Turkey, on the basis of this revised Accession Partnership, will adopt a revised National Programme for the Adoption of the Acquis (NPAA).

Edith Cresson, the former French Prime Minister, has been charged with fraud. The charges relate to her four years as a European Commissioner. It is claimed by the Brussels public prosecutor's office that it has evidence proving Mme Cresson and seven Commission officials working for her had drawn up false contracts. Allegations of cronyism and misuse of EU funds against Cresson affected the decision of all of the European Commissioners to resign four years ago. She denies the charges. (*The Times* 26/03/03)

Commission to recover €92.94 million of misspent CAP expenditure from Member States. A total of €92.94 million of EU farm money misspent by Member States is to be claimed back, following a decision adopted by the European Commission. The money is to be recovered because of inadequate control procedures or non-compliance with EU rules on agricultural expenditure. While Member States are responsible for paying out and checking virtually all expenditure under the Common Agricultural Policy (CAP), the Commission is required to ensure that Member States have made correct use of the funds.

Eurostat has published its estimate for inflation in the eurozone for March. Using the Consumer price index of the Monetary Union (IPCUM) it predicts that inflation will be 2.4%, no change on February. The estimate uses preliminary information on the prices for the month in question, diffused by the Member States for which the data is available, as well as preliminary information on the prices of energy.

The Economic Sentiment Indicator (ESI) fell by 0.6 percentage points in March for both the EU as a whole and the eurozone. Such a drop in consumer confidence has not been recorded since the events of 11th September 2001. The main cause was the sharp decline in retail trade confidence, with some decrease in both the industrial and consumer confidence indicators as well. The Business Climate Indicator (BCI) also fell. It was down by more than 0.3 percentage points between February and March.

EU Agriculture Commissioner Franz Fischler announced that the WTO members failed to meet the 31 March deadline to agree on the final agreements for the WTO agriculture negotiations. *"The EU has been working hard to meet this deadline. Unsuccessfully, as it turned out. We regret this. But missing this deadline is not the end of the world. Several other WTO deadlines have been missed. Now we will have to plough on,"* he said.

The euro zone posted a trade deficit of €1.5 billion in January, following a surplus of 7.4 billion in December, according to official data released on 25th March 2003. (EUBusiness.com, 25 March, 2003)

Sources: The information above is from the EU's official site, www.europa.eu.int, except where noted.

Laura Coogan is a politics student at Nottingham University, specialising in European issues.

BRUSSELSBOURGER

Giscard's Tortoise

The final stage of the European Convention is rather like a dance of the seven veils. At the fortnightly plenary sessions, the Praesidium unveils another section of the *"Constitution for Europe"*, which Conventioneers amend and then discuss at the following session. Whereas the introductory set of articles were extremely revealing, the second set were less sexy because they discussed the technical issue of the *"legal instruments"* of the Union: how European law is agreed and implemented by the Member States.

Last year, the Convention's Simplification working group concluded that the number of legal instruments should be radically reduced to make the European legislative process more understandable. The Praesidium's draft failed to achieve this aim. Their *"simplification"* proposed six different legal instruments: European laws, European framework laws, European regulations, European decisions, European recommendations and European opinions. Confused? Imagine a tortoise.

Giscard's lucky mascot is a pale green and gold, dragon-like tortoise that he places on his desk at the beginning of each plenary session. To understand the difference between these proposed legal instruments, imagine what would happen if the European Union agreed that each Member State should produce 'Giscard mascots' to display in town halls as a symbol of European unity.

If the mascot had been proposed by the European Commission and approved by the European Parliament and Council, the appropriate legislative act would either be a *European law* or a *European framework law*. The key difference is that whereas a European law is *"directly applicable"* (i.e. additional national legislation is not required for the law to have binding force within the Member States) a European framework law is *"binding, as to the result to be achieved"* leaving Member States *"free to choose the form and means of achieving that result"*.

If the hypothetical decision for each town hall to have a Giscard mascot was implemented as a European law, each Member State would have to fund the project in a certain way, produce the tortoises according to specified rules and display the tortoise in an approved position. If, on the other hand, the decision were implemented as a European framework law, individual national parliaments would draft separate national laws executing the decision.

Once a legislative act is approved, the Commission or the Council can adopt additional non-legislative acts to facilitate implementation. Both *European regulations* and *European decisions* are directly applicable and binding in entirety. Where they differ is that it is not necessary for a decision to indicate those to whom it is addressed. (The aim of this broader definition is to make European decisions the legal instrument of the Common Foreign and Security Policy, instead of the current "*common positions*" – or uncommon positions as is the case with Iraq).

Returning to the Giscard mascot example, the Commission may issue a European regulation specifying the type of tortoise to be produced. They may specify, for example, a precise aqua green (#7fffd4) pigmenting a particular paint (thixotropic silthane) alongside a certain gold paint (Welsh 18 carat) on a tortoise with a defined minimum dimension (202mm by 367mm).

Non-binding acts are often used to float ideas or to encourage harmonisation. If, for example, the Commission felt there was not currently sufficient support for the mascot proposal, they might propose a non-binding act as a preliminary step towards that goal. *European recommendations* and *European opinions* have no binding force (and are therefore not technically European laws) but they are referred to by the Court of Justice and are frequently used to start the legislative process.

So there you have it: Giscard's six legal instruments through the eyes of a tortoise.

Troubled Waters

"A few years from now a glass of water like this could be a luxury, if politicians can't agree on a way to protect our water supplies," exclaims a fictitious assistant in a new cartoon strip published by the European Parliament. *Troubled Waters* tells the story of Ms Vega, an attractive young MEP who, as the rapporteur for a water directive, gets embroiled in an undercover investigation into river pollution. The revelation that the chief suspect is a chemical group called Carimas causes their share price to plummet and results in a hostile takeover bid from their main competitor Fimoil. It turns out, however, that Fimoil deliberately dumped chemicals in the river near the Carimas plant to facilitate the takeover. The moral of the story, it seems, is that companies are deterred from industrial sabotage by European Union water directives.

Another European Commission environmental publication is 'Choices for a greener future'. *"We are consuming fish stocks too fast. In the Celtic Sea, 12 out of 16 species of fish are classified as fully exploited, overfished or in danger of depletion."* What the booklet doesn't mention, of course, is how the Common Fisheries Policy depletes fish stocks.

There are three main reasons for this depletion: First, if prime fish of breeding size are caught, they must be dumped or fishermen face fines of up to €75,000. It is estimated that up to 30 million prime cod are dumped, causing a rotten mess on the seabed. Second, the Fisheries Policy allows the catching and marketing of juvenile fish well below breeding size to reduce the discard figure. Third, without a market-based quota system, too many fishermen chase too few fish. Fish *are* under threat, but the problem is entirely due to the European Union.

Returning to the introductory quotation. What is the first thing Ms Vega says when her assistant asserts *"a glass of water could be a luxury, if politicians can't agree on a way to protect our water supplies"*? Does she hope her water directive will provide clean water for future generations? No. She says: *"If I don't manage to win Parliament over we'll have missed a wonderful opportunity to use our environmental powers."*

If the European Union really wanted to preserve fish stocks, they would repatriate fisheries policy to the member states. But don't hold your breath, abolishing the CFP would mean giving up power.

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EFTA and the Franco–German Alliance

by Professor Tim Congdon

By accident the diplomatic events of the last few weeks have given Britain the opportunity to recast its relationship with Europe. They have shown that an understanding between two nations provides, and always has provided, the emotional core of the European Union. The two nations are Germany and France. Their understanding began in the 1950s and had several objectives. For France the alliance with Germany added economic weight in international negotiations and useful subsidies for its farm sector; for Germany the *rapprochement* with France gave political respectability after the horrors of the first half of the twentieth century. For both of them the integrationist project would eventually establish a new power with its own distinctive voice in international affairs.

Even those who distrust the Franco–German axis have to admire its success over the last 50 years in attracting other European countries as affiliates. As the wider project of European integration has blossomed from the original understanding, the European Union has made an intra-European war almost unthinkable and established industrial free trade across 15 (and prospectively 25) separate nations. Opponents of European unification have to accept that these are great achievements.

But the achievements lie largely in the past. European integration has gone so far that the future purpose of the Franco–German understanding is far from obvious. Is it to serve international peace? Or is it to give France, Germany and their European associates extra goodies in future international carve-ups? Or is it just to be different and a nuisance?

By contrast, Britain's fundamental allegiance is to a world in which the economic relationships between nations are defined by free trade and free flows of capital across borders, and in which diplomacy is subject to an international rule of law. Since 1945 it has worked towards that world in a number of arenas and in various ways, but since the shedding of its own empire it has accepted that its power to influence events is limited. The ultimate guardian of the postwar liberal international order is the United States of America. Over the last 60 years the USA and Britain have not always seen eye to eye, but normally they have been each other's closest ally. British participation in a common European defence and foreign policy would be a fundamental re-orientation.

Britain joined the European Economic Community (as it was then called) in 1973 because of economic weakness. Its national output had grown more slowly than that of its European neighbours for a generation and many economists claimed that this setback stemmed from its failure to join the EEC. (The argument that non-membership of the EEC was the cause of the UK's slow growth was controversial and could be easily disputed, but it was widely believed.) Advocates of EEC membership warned that, if Britain stayed outside, it risked becoming impoverished and marginal relative to an increasingly important Europe. At any rate, the UK joined, and it did not become impoverished and marginal. At the start of the 21st century its economy was the fourth largest in the world and the second largest in the EU, and its living standards were similar to or a shade higher than the EU average.

Mr Blair apparently used to believe that the *"political"* case for adopting the euro was *"overwhelming"*. Quite why he believed this is far from clear, but it was consistent that he should favour moves towards a common European defence and foreign policy, and British participation in such moves. The events of the last few weeks must have come as a shock to him. Two points need to be emphasized. First, despite many sneers about 'the special relationship', Britain does have a very special relationship with the USA because of shared military and diplomatic intelligence. In fact, in the Middle East American and British intelligence may be more or less indistinguishable, although (outside certain privileged circles) no one really knows. This relationship could not survive if France and Germany want to have an independent voice in the world, and Britain has to kow-tow to them under the terms of a common European defence and foreign policy.

Second, if the pound had been replaced by the euro, the European Commission would have been entitled to make comments about the impact of extra military spending on Britain's public finances. (It has already made comments about Mr Brown's extra spending on health and education.) Indeed, in the extreme when the UK's budget deficit has exceeded 3 per cent of national income, the Commission could propose a fine in response to the UK's excessive military expenditure. The UK's freedom to deploy its own armed forces for its own preferred purposes within NATO would have been undermined. In this very basic sense it would not have remained a sovereign nation. Can anyone now doubt that membership of the single currency area has profound constitutional implications? Does Mr Blair still think that the political case for adopting the euro is overwhelming?

Most of the Convention's participants were not surprised by the open advocacy of a federal European constitution which would marginalise not just the British government, but the government of every European nation state

Even the warmest British enthusiasts for European integration have been surprised by the behaviour of France and Germany. The time has come for a complete rethink of the UK's relationship with the EU. The truth is that a clear majority of people in Britain – including the majority of the political elite – have never liked the idea of a European superstate in which their own national identity would be submerged. Committed pro-Europeans – such as the Government's Minister for Europe, Mr Peter Hain – have been dismayed by the extent of the integrationist ambitions presented at Giscard d'Estaing's Convention on Europe. Most of the Convention's participants were not surprised by the open advocacy of a federal European constitution which would

marginalise not just the British government, but the government of every European nation state. But Mr Hain was surprised, even if he and the leadership of the Labour Party are not sure what they can do to keep the runaway process of European unification under control.

British membership of the EEC and now the EU was rationalised by the enlarged market for the UK's manufacturing industry and its financial services sector, and so by the benefits for trade and living standards. But the world today is very different from that in 1973 when the UK joined. 30 years ago most of the industrial world and virtually all of the developing world had significant non-tariff barriers to trade and high import duties. The industrial free trade that was already far advanced in the EEC was exceptional and therefore very attractive to Britain's policy-makers, businessmen and bankers. But nowadays both tariff and non-tariff barriers to trade have been largely eliminated in the industrial world (including North America, Japan and Australasia, as well as Europe), while many countries in the developing world – notably China – have made dramatic shifts towards trade liberalisation. The world as a whole is still far from being one huge industrial free trade area, but a reasonable conjecture is that it will move closer to that over the next 20 or 30 years.

While industrial free trade is no longer a particular benefit of European involvement, the EU has kept two distinctive policies which the UK has never liked. The first – the Common Agricultural Policy – is almost universally judged to be inefficient and expensive for Europe's consumers, and to wreak havoc in the world market for agricultural produce. The second – the Common Fisheries Policy – is not only economically inefficient, but a gross affront to Britain's national self-esteem and economic interests. It was not part of the original Common Market in the 1960s, but was instead devised by the French in the negotiations of the early 1970s when they knew that the British government was too feeble to say 'No'. With the longest coastlines of any European nation, Britain had the most to lose from making fishing policy a competence of the EEC. Shamefully and unnecessarily, its fishing industry has suffered severe contraction and Britain has indeed lost the most.

Britain has long-standing grievances about the CAP and the CFP. But perhaps the most pressing reason for the UK to re-assess the economic case for European involvement stems from the sharp change in its neighbours' performance. In the 1950s and 1960s output growth in most European countries was two or three times as fast as in the UK. But in the 1990s British growth was slightly higher, while Europe as a whole was outpaced by newly industrialising Asian countries, including China. Over the next 50 years the European share of world trade and output are certain to shrink. Germany and Italy in particular are threatened by a poor demographic outlook, with rising numbers of old dependents and a declining population of working age. But all European nations (including the UK) face similar problems to some degree and have recorded mediocre productivity growth in recent years. The European model of a large welfare state, with high taxation, powerful trade unions and regulated labour markets, is unattractive. The European share in British trade has started to decline and will keep on declining over the next few decades.

Why does the UK have to pay the costs of the CAP and suffer the indignities of the CFP in order to be associated with a group of nations which are both economically unsuccessful and will take a diminishing share of its exports over the next few decades?

The question has to be asked, 'Why does the UK have to pay the costs of the CAP and suffer the indignities of the CFP in order to be associated with a group of nations which are both economically unsuccessful and will take a diminishing share of its exports over the next few decades?' It cannot be because Britain wants to participate in a common European defence and foreign policy, as the diplomatic shambles of recent weeks has discredited that option; it cannot be because Britain wants to abandon its currency and introduce the euro, as opinion polls show a decisive majority in favour of keeping the pound; and it cannot be because Britain wants to be absorbed into a European political federation, as European federalism has been and remains unpopular at all levels.

… the case for continued British membership of the EU is weaker today than it has ever been

The message has to be that – when emotions are put to one side, and the arguments are set out rationally and coolly – the case for continued British membership of the EU is weaker today than it has ever been. The economic case has become less convincing and, crucially, will continue to lose ground; the political case never had many converts in the UK and even they are likely to become more cautious after recent French and German conduct. The challenge is to propose a policy which will give the UK the benefits of withdrawal from the EU, while retaining those benefits of membership which really matter (e.g. industrial free trade), staying on friendly terms with all the nations of Europe and avoiding a destructive debate with supporters of the EU in the UK. The proposal has to generate excitement; it has to be positive, forward-looking and internationalist if it is to succeed in the public debate. It will get nowhere if it is small-minded and nationalistic.

A crucial point has to be emphasised here. Until very recently the project of European integration could present itself as positive, forward-looking and internationalist. Even in the 1980s it could claim to be more economically dynamic than North America, while in the 1990s it could envisage territorial expansion as it courted and eventually welcomed new members from Eastern Europe. But expansion eastwards has almost reached its limit. Up to eight East European countries (plus Cyprus and Malta) may join the EU in 2004, depending on the outcome of national referenda. But most countries in the EU – and particularly Germany and France – want that to be the final major enlargement. They are not prepared to accept Russia and Turkey. These two nations – which have many citizens and interest groups who like to think of themselves as 'European' – are to be kept out indefinitely.

The motives for excluding Russia and Turkey may seem to be manifold and

If Russian and Turkey joined, the EU would cease to rotate on a Franco–German axis

varied, but at root the explanation is simple. If Russian and Turkey joined, the EU would cease to rotate on a Franco–German axis. As areas of policy responsibility have been transferred from national capitals to Brussels, the central organ of European policy making has become the Council of Ministers. France and Germany cannot be 100 per cent certain of fixing the Council's decisions, but – as matters currently stand – they can be confident that they are the dominant players. (Most people in Britain probably still think they are governed from Westminster, with the Houses of Parliament being all important. In fact, most important new initiatives in economic and social policy begin in the European Commission and are then agreed in the Council of Ministers. The Council consists of national ministers, with finance ministers attending when the issue under discussion is financial, farm ministers when it is agricultural and so on.)

The Council of Ministers takes decisions according to 'qualified majority voting'. This is complex, but its essential purpose is to achieve a balance between unjustified obstruction by any one nation and unfair bullying by the union. No nation has a veto, while a majority vote is not sufficient to secure the Council's endorsement for a new directive or regulation. Instead every nation has a number of votes, and directives and regulations go through if they secure a large enough (or 'qualified') majority. The reason that Russia and Turkey will never be accepted as EU members is to be sought in these arrangements. The problem lies in the method of allocating votes to the nations and so of determining their power in the Council of Ministers.

Objectively, a nation's vote allocation is based on two criteria, national output and population. In practice, reliance on output and population alone would lead to the smaller nations having only a handful of votes, and almost no power or influence, compared with the four big nations (Germany, France, the UK and Italy). So the smaller nations have traditionally been over represented, with more votes than implied by a strict output-and-population formula. Nevertheless, Germany and France have generally been able to push their own favoured policies through the Council of Ministers. Their power stems from Germany's position as by far the biggest net contributor to the EU and the associated exercise of bargaining muscle over the smaller nations, which are virtually all net recipients.

By discreet (or sometimes not so discreet) diplomatic channels Germany informs the smaller countries that that it will expect loyalty (i.e. pro-German, pro-integrationist voting) in the Council. If a smaller country votes against Germany, Germany will use its leverage as paymaster to deflect resources away from it. These resources are distributed in various ways, notably by the setting of such things as farm prices and fishing quotas as well as the dispersal of actual sums of money from the so-called 'Structural Funds'. The whole process is smutty, offends both decency and common sense, and taxes the German people. Moreover, in its application at the level of individual countries and particular policies, it is often corrupt. Nevertheless, Germany and France see it as worthwhile in maintaining their grip over the Council of Ministers and so as serving the original long-term objectives of European integration.

The trouble with Russia and Turkey is straightforward: they are too big. The population of Russia is just under 150 million and of Turkey almost 70 million, which compares with 82 million in Germany, 59 million in both the UK and France, and 57 million in Italy. Output per head in Russia and Turkey is well behind the level of the four large European states, but – in any vote allocation formula which recognises population – Russia and Turkey would have to be given an important say. Franco–German control over the Council would come to an end. Indeed, the outcome of intra-European intergovernmental negotiations would become – even more than it already is – the plaything of complex and unpredictable deal making. Instead of Germany and France creating a bloc which they can direct and which mostly serves their interests, they would have given birth to an unmanageable monster. In one extreme case, in which over, say, 20 or 30 years Russia and Turkey enjoy more rapid economic growth than Western Europe and begin to rival them in terms of income per head, they would have more votes in the Council of Ministers than any two other nations. The Franco–German axis would no longer be the core relationship inside the EU.

How does this affect Britain? A good case can be argued that a European union without Russia and Turkey is incomplete. For all its imperfections Russia has made an immense contribution to European history, and is still potentially an economic and political superpower. It is true that at present the nations of Western Europe overshadow Russia in economic terms. According to the World Bank, Russia's gross domestic product in 2001 was $310 billion, compared with Germany's $1,874 billion, the UK's $1,406 bn, France's $1,303 bn and Italy's $1,091bn. This economic disparity is undoubtedly the main reason that France, Germany and other EU members do not feel they have to make friendly overtures to Russia. Despite its enormous territory, its breadth and depth of natural resources, and its large population, most EU governments regard Russia as peripheral. They believe that it can safely be left semi-isolated on Europe's margins.

But this calculation could be made to look silly. Like Italy in the 1950s, Russia has huge scope for catch-up economic growth by imitating existing technologies in the leading industrial nations. Moreover, Russia has immense energy resources, in terms of oil, natural gas and coal, whereas nearly all of Western Europe (including the UK) will be oil and gas importers by 2020. There has to be a possibility that, by 2040 or 2050, Russia will have a larger economy than any other nation in the European orbit. (If that seems ridiculous, think of the hopeless mess that was Germany in 1945. Europe's history has never gone in straight lines.)

The same sort of comment can be made about Turkey. Like Russia, it has many imperfections, but it has still achieved faster economic growth in the past 20 years than the EU. It also has one vital advantage over such European nations as Germany and Italy. Over the next 30 or 40 years Turkey's population – and, crucially, its population of working age (which has a direct bearing on employment and so on national output) – will increase, whereas both the total population and the working age population will fall in Germany and Italy. These demographic projections imply that Turkey's economic significance – like Russia's – will rise relative to the EU's.

In the next one or two decades the existing members of the EU will, taken

together, remain the UK's largest trading partner. (Note that the USA is already the UK's largest *single country* trading partner.) But the role of the existing members of the EU will diminish in relative terms. The growth of their international trade, and so their commercial importance to the UK, will be outpaced by that of a larger Europe which includes Russia, Turkey and Eastern Europe. Meanwhile the growth of the international trade of this notional, larger Europe will almost certainly be outpaced by that of North America and Asia.

Mr Donald Rumsfeld, the American Secretary for Defense, has antagonised Germany and France by calling them *"old Europe"*, compared with the *"new Europe"* of the UK, the Mediterranean nations and Eastern Europe. As a comment on the historical self-image of the nations concerned, Mr Rumsfeld took a few liberties. (It is rather far-fetched to characterise the UK, Italy and Spain as 'new' nations.) However, the Old Europe/New Europe distinction does have meaning in the economic sphere. Whether they like it or not, Germany, France and Belgium have not registered such high rates of output growth in recent years as their East European neighbours. The economic preponderance of old Europe is being undermined by the over-taxation, over-regulation and over-government from which it suffers.

The Franco–German challenge to the Anglo–American position on Iraq is a blunder of the first order. By securing Russian endorsement and not at the same time consulting their purported Western allies, France and Germany have revived memories of old and very destructive quarrels; by disrupting the unity of the main Western nations, they have given encouragement to Saddam Hussein and so made a military action to remove him more rather than less likely; and they have forced Britain to think hard about whether its long-term interests will be served by further European integration.

What should Britain do? The current geo-political conjuncture gives it an opportunity to re-position itself in a new and radically favourable way. There are two key steps. First, Britain should tell its EU partners that it seeks the formation of a larger European free trade area to which Russia and Turkey can be admitted. The larger European free trade area – which might absorb and borrow the name of the European Free Trade Area – would have no ambitions to becoming a larger political union. (Britain was the driving force behind the formation of EFTA in 1959. EFTA still exists, although it now consists only of Iceland, Liechtenstein, Norway and Switzerland.) The new and much expanded EFTA would be a customs union, pure and simple. Its members would have the unquestioned right to veto proposals if they did not affect the operation of the customs union, and there would be no expectations of 'ever closer' political union. Their retention of political sovereignty and their status as independent nation states would not be in question.

Secondly, Britain should explain to the rest of the EU that its people regard themselves, first and foremost, as British. They are proud of their history, culture and identity, and do not want to be assimilated in a larger European entity. So they do not want, and never have wanted, to belong to a fully-fledged European political union of the kind foreseen by Giscard d'Estaing's Convention. If the other 14 members of the EU do want to become states, regions or provinces in a United States of Europe, and if some of the current applicant countries would like to join them, Britain cannot stop the process. Indeed, it wishes them well.

But – given recent events – Britain has to reconsider its position in the whole enterprise of European integration. Not only does it support industrial free trade in a wider Europe which embraces Russia and Turkey, it also believes in agricultural free trade and the continuation of national laws on the ownership and use of natural resources. It should therefore announce that it will withdraw from the CAP and the CFP, and will in future organize farming and fishing policy as it sees fit. (It will, of course, not discriminate against foreign investors or against imports of food and fish products from any particular nation.) Britain will also cease to contribute to the EU's Structural Funds. Almost certainly, it will need to renegotiate the treaty relationships which establish industrial free trade between it and other EU members, but the acceptability of Britain's continued participation in European industrial free trade can hardly be in question. (EFTA members enjoy effective industrial free trade with the EU at present, and even such countries as Mexico and Israel have free trade agreements with the EU.)

To repeat, the two key steps are that Britain advocates a 'new Europe', a better and larger Europe, in which Russia and Turkey would be welcome, and that it limits its own integration with this new European customs union to the achievement of free trade. Over time, with the passage of generations and the emergence of new attitudes and beliefs, this customs union might evolve into a closer economic and political union. (It might or it might not, and different nations could legitimately have different views about the matter.) At any rate, closer economic and political union would not be its immediate purpose or, indeed, its purpose for a few decades. Germany and France would not dominate the new Europe, as they do the EU. Because of the restoration of the veto in economic and social policy Britain would again be able to protect its own national interests, which has not been the case since the Single European Act of 1986.

Britain has to look beyond a Europe whose adverse demographics and increasing economic inefficiency will condemn it to sharp relative decline in political, diplomatic and military importance in the 21st century

Further, it would see the new EFTA as a stepping stone towards global free trade, and it would work closely with the USA, other English-speaking countries and friendly nations around the world towards that end. It would stop defining its geopolitical future predominantly in terms of its relationship with its European neighbours. No doubt these countries matter to it a great deal, but Europe is only one part of a wider world. Britain has to look beyond a Europe whose adverse demographics and increasing economic inefficiency will condemn it to sharp relative decline in political, diplomatic and military importance in the 21st century.

Professor Tim Congdon is one of Britain's leading economic commentators and at present he is the Chief Economist for the economic research and forecast consultancy Lombard Street Research. He is also an honorary professor at Cardiff Business School and a visiting professor at City University Business School.

No Economic Miracles This Year

by Annunziata Rees-Mogg

The world economy has been shaky for the past few years. Both America and Germany have slipped into recession on more than one occasion (although whilst America is now in recovery, Germany is still technically in recession).

Forecasts have been lowered every quarter. Gordon Brown has revised his, the European Commission has reviewed its. Very few people would be surprised to hear that, *"economic growth in the euro area has turned out to be significantly weaker than anticipated."*

According to the Commission there are four reasons for this slowdown: first are the *"geopolitical tensions"* that have pushed up oil prices; second is the dramatic fall in equity prices; third, the doubt on whether recent cutbacks in business investment have been sufficient to restore corporate balance sheets; and finally, that the economy suffers from "*insufficient resilience to shocks*".

Taking each of the Commission's reasons in turn, the first influencing factor mentioned is the geopolitical tensions. To most people this would be known as the 'war in Iraq' or the 'breakdown of diplomacy' and to some it would be referred to in terms of war-mongering by the US. This group must be especially interested that the European Commission is in part blaming the sluggishness of the eurozone economy on this conflict. A number of people in the UK have accused the Americans of only wanting this war because of oil considerations. It is clear that the US administration, along with the British government, have far more serious and diverse reasons – beyond oil interests – to justify this action. It is interesting that it appears that oil is also one of the reasons for the Germans and, more directly, the French taking the opposing view. Whilst the Allies' accusers suggest that they are trying to take Iraq's oil, it would appear that France wishes to protect its oil investments there by not attacking, while the rest of the eurozone fears the repercussions of a rise in oil prices. It rather detracts from the French role of 'pacifists on the world stage' to discover that they were worried that their (already sluggish) economy would suffer if the invasion went ahead. No doubt it is one consideration among many, but it removes France's claim of being motivated by altruism.

The second reason, the dramatic fall of equity prices, is not much of an excuse. America has already experienced a stock market collapse, in the UK the FTSE has fallen from highs of nearly 7000 to recent lows of just 3300; the eurozone countries can hardly believe that this has only affected their GDP growth levels. All economies are, inevitably, affected by large falls in share prices – but this does not explain why the overall growth for 2002 in both the UK and the US was well above the 0.8% of GDP that the eurozone countries averaged. Theoretically, the UK and the US ought to be much more sensitive to such dips in value – clearly they are better equipped to deal with them. The continental European countries have a much lower proportion of their GDP tied up in shares, as their stock markets are less developed than ours. Our ratio of market capitalisation to GDP and the higher proportion of money in pension funds should make us more reactive to market fluctuations. We have, however, a more flexible economy and are therefore better equipped to cope with the impact.

The opening statement of the European Commission's report goes on to provide a third reason for the lethargy of economies that have the euro as their currency. Its report states the belief that the recent investment cutbacks have managed to shore up balance sheets. I couldn't agree more – the technology-bubble years saw a lot of companies overspend and make unwise investment decisions. There is, since the bubble burst, an oversupply that leads to companies having weak pricing power. The years of throwing money away cannot be corrected by a couple of years of gentle pruning.

With so many regulations it is no wonder that the euro-economy cannot withstand shocks

There is one final reason the Commission's report provides: the eurozone economy's insufficient resilience to shocks. That is, unfortunately, true. The Commissioners themselves must take part of the blame for this. The inflexibility makes it too rigid to survive shocks in one piece. There is a lack of flexibility in the labour market, fiscal policy and monetary policy compared to the UK or US. With so many regulations it is no wonder that the euro-economy cannot withstand shocks. The invasion of Iraq is most definitely a shock. It will have an impact on all western economies. Here in the UK we can still increase government spending to allow for our increased spending on matters military. With the growth and stability pact – that is not an option for any eurozone country affected in the same way. Equally, if it causes our economy to contract the Bank of England will be able to adjust interest rates accordingly. If it does cause a Europe-wide economic downturn the blow cannot be softened by sympathetic interest rate decisions. Not whilst some countries in the area are still suffering inflation whilst others are contracting.

The reason that the economies will suffer is that they are tied up in chains and cannot react to world situations

It is commendable that the Commission has provided a frank assessment of the economic position of the eurozone. It has pointed to half of the problem but does not get to the core of it. The reason that the economies will suffer is that they are tied up in chains and cannot react to world situations. The growth and stability pact means that the Keynesian mechanism of increasing government spending to counteract recession cannot be applied. The 'one size fits all' interest rate, along with ECB's reluctance to be forward thinking on its decisions, rules out the monetarist approach. Without either of these it is unclear how the Commission, the Council, the Parliament or the ECB will be able to help these sluggish economies.

Annunziata Rees-Mogg is editor of the European Journal.

View From The House – 6th February 2003

by Michael Fabricant, MP

Two Fridays back, Jeremy Vine asked me to take part in a debate on the Jeremy Vine Show on Radio 2. He wanted me to debate the issue of 'Old Europe' with a French Deputé, their version of an MP. You will recall that the US Secretary of State for Defence said that France and Germany were 'Old Europe' – and, presumably, it follows that the UK is 'New Europe'.

It was all rather calm until my French opposite number said we live in the past and talked grudgingly about our *"surviving the war"*. I wasn't very happy with that! And Jeremy Vine then egged me on to say where Britain's best interests lie: with the European Union or with the United States? My answer was that Britain's best interests lie with doing what is best for Britain and we can work with both the US and Europe. But I went on to say that if I had to make a choice, I would choose the US. Why?

The US is already our biggest trading partner and we share a common legal system as well as a common language. Phone calls to America are cheaper than phone calls to France and modern technology has made distance irrelevant and compatibility the important issue. But there's another factor.

France and Germany have rediscovered a long-lost love affair. And it ain't doing much for the UK right now. John Major long argued for the expansion of the European Union. He argued, rightly, that by bringing in the eastern countries like Poland and Hungary and Lithuania, the cost to the EU would be so high it would be unsustainable. As a consequence, the EU would have to reform itself and make itself into a much looser organisation of independent States. Well, he was right about the costs rising, but it seems that France and Germany don't care and are determined to see an ever tightening Euro State. So why should that bother us?

We need still more policemen in Lichfield, Burntwood, and the surrounding area. We need more hospital facilities – not fewer – as our population grows. We should not be dissuading children from going to university because of the debt they will accrue. Our old people deserve decent pensions. But this all costs money.

> Our membership is costing the British taxpayer around £30 billion each year.

A couple of years ago, the United States Government undertook research into what was the net benefit financially of Britain's membership of the European Union. Taking everything into account, both the direct and indirect costs and benefits, they reckoned the annual gain to the UK is around minus $45 billion. Or putting it another way, our membership is costing the British taxpayer around £30 billion each year. That's roughly equivalent to the cost of opening 100 brand new district hospitals every year!

Well, maybe the Americans have got their sums wrong. They reckon with the World Trade Organisation allowing trade with European countries regardless of whether or not we are paying into the EU (after all, countries like the United States, Norway, and Switzerland all trade with the EU even though they are not members). Britain need not be a member either.

So I have asked the Government to conduct our own analysis and make it public. They refuse. Why? Are they embarrassed by what the figures might show? If the EU is so wonderful as Tony Blair used to claim, they should be only too happy to produce the figures and publish the results. All I have had back from Government Ministers is comments like *"Lots of other countries are queuing up to join!"* Of course they are. Countries like those who will join the EU in 2004 will be funded by Britain and Germany. No wonder they want to join.

> Countries like those who will join the EU in 2004 will be funded by Britain and Germany. No wonder they want to join.

Now, I can well understand the European ideal after two world wars. In a way, it is laudable. But what is right for Germany and France is not right for us, as Tony Blair is discovering. When, two months ago, he went to a meeting in Europe to discuss how the budgets can be reformed before 2004, he found that the French and Germans had already reached an agreement not to change the formulae and he was stitched up. Tony was not a happy bunny and, personally, I can't blame him. That £30 billion will rise steeply from 2004 onwards as a consequence. And the British taxpayer will be the one forking out.

More recently, the French have welcomed Robert Mugabe to a conference in Europe even though the rest of Europe wants, and the UK especially, wants an international ban on Mugabe and his entourage from travelling out of Zimbabwe. And finally, France and Germany have decided they want the European Union to force on Britain a foreign policy set in Brussels and a written constitution which will apply to all members of the EU.

Where will this end? It's not just the theoretical question of national rights, it is very much a question of where the British want their tax money spent. And it's something I intend to pursue.

Michael Fabricant is MP for Lichfield and chairman of the House of Commons Information Select Committee. This article is reprinted from the Lichfield Mercury.

… news in brief

France exceeds permitted maximum deficit

France's budget deficit for 2002 was 3.1% of GDP, according to the final figures released by Eurostat in Luxembourg. The European Commission is to initiate the excessive deficit procedure against Paris. During the course of the month of April, the Commission will present a report on the French budget to the ECOFIN council of finance ministers. They would have until June to decide what to do about it. Such procedures have already been opened against Germany and Portugal. [*Handelsblatt*, 17th March 2003]

An Interview with Lord Lawson

Annunziata Rees-Mogg *asks* ***Nigel Lawson*** *about the global economic climate, focussing on the EU economies and in particular the German difficulties. His comments on the state of the economy, European relations and the euro, were made in November 2002, at a time when there were no certain expectations of conflict in Iraq.*

Q In light of Gordon Brown's pre-budget statement I wanted to ask how you think everything is going and whether you think that the world is going into a deep and problematical decline?

A I think it is awfully difficult to say because while it may not be a recession, it certainly is a slowdown. In one way it is a pre-war type of slowdown, of the very sort that Keynes had in mind when he was writing the General Theory and it is not the sort of thing that we've been used to since the Second World War. Yet we are obviously in the post-war world so this is something that has never happened before – pre-war times in a post-war world – and that makes it extremely difficult to explain. What Keynes was concerned about was businessmen who overreached themselves; they overinvested and that created an enormous boom. Then of course eventually the cold light of reality would intrude, forcing them to realise it was far too much capacity. And that was why recession occurred; business confidence was very low and so on.

Until now, since 1945, there has been a totally different type of recession; we still have an economic cycle but of a totally different kind. Previously there has been a huge boom in consumer spending and this has lead to inflationary pressures, which Governments quite rightly have had to knock on the head, this in turn leading to great consumer entrenchment and collapse in consumer credit. Businessmen are very quick to react to changes in consumer demand and so the sort of post-war recessions we have had tend to be quite short lived.

But it's not the same the other way round; consumers are very slow to react to economic changes. Despite the collapse of business investment, many people being laid off and telecom companies being in distress, consumers are still spending. Now the question is, "Are consumers going to go on like this and totally ignore what's been happening in the business sector until eventually the businessmen have enough confidence to start investing again? Or are they rather belatedly going to realise that maybe house prices have gone up too high and they are getting excessively in debt?"

There are a lot of people being laid off. To take just one industry, there are, in my opinion, many more investment banking layoffs still to come. Whether there is eventually going to be a reigning back of the consumer side (which we haven't seen yet, either in the United States or here) leading to the whole thing being more contracted, I don't know, but I rather suspect that the extremely buoyant recovery in the United States at the present time is a bit too good to be true. The housing market in the United States is very high, there's a real estate boom, which hasn't been punctured at all, and consumer credit is very, very high.

I think that there is a considerable risk that you are going to find that the collapse of the stock market bubble (which is always the first thing to be pricked) is likely to be followed by a pricking of the housing bubble. If that is so, then of course consumer credit follows on because people have been borrowing on the strength of the value of their homes. So I think it is a bit precarious, but having said that I am not the slightest bit worried about deflation.

Q So do you think that the world is going into a deep and problematical decline?

A There are two really struggling major economies, these being Japan (which has been weak for the past ten years) and Germany (which if we hadn't been looking at Japan we would have realised has been pretty weak for the last ten years). Germany is getting worse rather than better and they have a very weak government; I don't think the opposition were all that great shakes but at least they would have come in fresh. This is a government that shouldn't really have got back into power and it's certainly not going to introduce any of the reform needed. Obviously the opposition feel very aggrieved that they did not win and are not going to be particularly helpful.

Japan is much worse. I read PPE at Oxford and one of the things that always stuck in my mind, and slightly puzzled me at the time, was how economists of the nineteenth century, right the way back to Ricardo, were concerned with the banking system. That was not something one was concerned about at all in the 1950s at Oxford. I now realise that when you have a rotten banking system it is very difficult to make anything work at all. That is that the problem of Japan, coupled with a complete collapse of confidence. There are some weaknesses in the German banking system, but nothing like the Japanese ones. The United States banking system is very strong, as it is here and in France.

Q What do you think the effects of globalisation are on the EU economies?

A I think that globalisation is bad for Europe but not bad for the world economy. What is happening, now more than any time in the past, is that European business leaders, instead of wasting their time beating their heads and lobbying the government, are increasingly opting out and investing elsewhere. There is an enormous amount of German investment in the UK and you have a totally asymmetrical pressure on the governments now. The trade unions and those interested in the status quo still exert all the same pressures that they ever had done, but the business community who might have been calling for change now feel that it's easier, in the global context, to vote with their feet, and that's what is happening.

I'm not gloomy about the world economy. I don't think, as some people do, that we are going into a deflationary period. I think we have seen the worldwide stock markets readjust themselves from a highly overvalued point to a more realistic one. There may be further falls to come, but I believe the worst is over. The industries that fed off the huge stock market boom, like investment banking, along with some other industries, such as advertising, still have more downsizing to do; but basically I think that most industries have already fully adjusted.

But I think what we're seeing more is on both sides of the Atlantic an exaggerated disappointment because people tend to be affected not by the reality, objectively, but by how their expectations were. On both sides of the Atlantic there were expectations of miracles.

In America it was the new technology, the e-economy. The main effect of these changes is clearly going to be increased competition, which is not terribly good for profits. The technological changes were far less dramatic than of a hundred years ago but there were huge expectations, which even seduced Alan Greenspan. The results proved to be disappointing.

At the same time, on this side of the Atlantic, it was thought that the coming of the euro would produce some great miracle. It is amazing how many people really did think there would be a great surge of growth during the launch year. It is not that this just hasn't happened, but people's high expectations made their reaction worse. I think the objective reality is not too bad, I am not worried about deflation and I certainly don't think we are going to have a slump. This downturn might, for the reasons I was saying earlier, be a little more protracted than most people think.

Q The German situation seems to suggest it is very unlikely that we shall be having a referendum on the euro, doesn't it?

A I really don't know. Blair really very badly wants to get in, entirely for political reasons.

Q I can't quite understand why, because the risks are huge from his point of view and the benefits, if he does manage to get it, are not all that great, I would have thought.

A I don't think he sees it in those terms. I think that he has been told by the Foreign Office that the Franco–German axis, which has been at the core of the Community since it first came into being, is not what it used to be. The Germans are no longer prepared to let the French lead them by the nose, and therefore there is a possible situation where if we are at the heart of Europe we can ensure that British interests are much better looked after. Even more than that, what we can do by wresting the leadership from France is ensure that Europe is a loyal ally of the United States, instead of always being a carping critic. Tony Blair also feels that since it is Britain's destiny to go into Europe, he wants to go into the history books as the man who fulfilled that destiny by taking the critical step; the man who led us across the Rubicon.

Q But he will never be able to overtake Ted Heath, surely?

A He can't turn the clock back. Ted was the person who took the first step, but Blair would have been the man who cemented it so there was no going back. Blair might feel that as he is strong, largely because the opposition is so weak, it is worth him taking the risk of having a referendum; because even if he were to lose I don't believe he thinks that it would destroy New Labour. In fact, I think he may feel that he has now gone so far with the euro that he will look a bit of a wimp if he doesn't go ahead with a referendum. He would be running away. And that isn't very attractive politically, so although losing a referendum is not politically very attractive either, he may believe it is the lesser of two evils.

He may well feel that a better course is to have the Convention on the Future of Europe behind us, as well as an election (which he must be fairly confident that he will win) and then immediately after it bingo – go for the referendum. I think that is the time in which he will have the best chance.

Q There is still a great difficulty though, isn't there, about the exchange rate. Germany is now fixed with a rate that is certainly uncomfortably high for its economy. Do you think we would be allowed to have a rate which seemed to the French and indeed to the Germans to be a highly competitive one?

A Not unless the markets have already put us there. I think we can go in at the market rate. The prevailing market rate.

Q So, if Blair decides to hold a referendum after the next election and the British economy is in a far better position than the German one, could he feasibly win when it would mean joining what would be perceived as a much weaker economic model?

A I think that he could. I mean, first of all the rest of the Eurozone is not doing nearly as badly as Germany. Germany, being the biggest economy, drags the European average down quite a lot, so there are all sorts of things Blair could say about France and Holland and so on. I think he would rely on his public appeal, his, "*Look, trust me. You've voted me back into office for the third time in succession and you know my track record, and I believe that this is right for the country.*" I imagine that he would think this would be enough to carry the voters who find it all very complicated and are confused by the vast amounts of differing opinion on the matter. People would ask, "*How do we decide between all these different so called economic experts? We had better trust the Prime Minister.*" Well, that must be what he's banking on, I'm not saying he will succeed. I think that he's missed his best time, I believe that immediately after the last election he would have had a very good chance. He still has a sporting chance, but I think the risk of losing will probably be higher.

Q He has to carry Gordon Brown with him, doesn't he? What if Gordon Brown is against it and Tony Blair is for it?

A Well Gordon Brown's position is very curious because I don't think he is against it. I think he feels it's important for it to be clear that *he* is the person who is going to say when the tests have been met, when it's the right time. That's important to him – that the decision is as it were his. I think that he has always been in favour, and there's no reason for him to have changed his mind. As he is in control of these tests he could have easily allowed the Treasury officials who are compiling this enormous book to come out saying, "*On the one hand or on the other, so it's uncertain*", but he doesn't want that, he wants it to come out as a clear positive thing. What he's determined, too, is that with this book he will be able to say, "*Look, forget all the other economists, nothing remotely as thorough as this has ever been done, this is far away the most thorough thing, so this comes to the conclusion that the conditions of the five tests have been satisfied, and that's that.*" Then there's no room for any further argument.

Of course, quite apart from the political dimension, which is the important dimension anyway, there is another economic dimension. It was only Brown who said these five tests determine whether it's economically right. Many people say "*No, these tests are quite interesting, at least one of them is, but the problems of a 'one size fits all' monetary policy are of far more important consideration.*" That's not part of the tests at all. So, it's a bit of a con trick to say that these five tests are the economic debate, which is not true at all. Unfortunately, people really fall for it.

Q But certainly on the personal side Gordon Brown desperately wants to become Prime Minister, doesn't he?

A He must have a referendum. Because either way, if Blair wins then he may say, I fulfil my historical destiny and I am now going to be President of Europe or whatever it is, and then that opens the way to Brown. Or else, if he is defeated, even though Brown would be

defeated too, it is obvious that the Prime Minister is the prominent figure and so it might be felt that there is a change of leadership. If, however, the referendum is always in the future, then for a long time Blair is going to remain in power in order to keep his referendum. I think that Brown has a career interest in having the referendum; he just wants it to be known that it's at a time of his choice.

Q What are your thoughts on the expansion of Europe?

A I am strongly in favour of that; if people want to come in. I do think that there were two great historic tasks for the European community to serve. The first was basically burying the hatchet between France and Germany, which had caused such trouble pretty much throughout the twentieth century, certainly since Germany came into being under Bismarck in 1868 through till 1945. Burying the hatchet was a very important achievement for European peace and world peace. The second thing basically is helping the European countries of the former Soviet empire to come in from the cold and firmly back in psychological and security terms into the European family and European culture. Once those two things have been achieved, one of them has, and the other I hope will be too, then I think the European Union has served its historic purpose and I don't wish to see it integrate any further.

Lord Lawson was a Conservative MP from 1974 to 1992. He was one of the longest serving Chancellors of the Exchequer in the 20th century, holding office from 1983 to 1989. He now sits in the House of Lords as Baron Lawson of Blaby and is currently Chairman of the Central Europe Trust.

… news in brief

Berlusconi: constitution in danger

The Italian prime minister, Silvio Berlusconi, who supports the US-UK attack on Iraq, has expressed the fear that the chances of the European constitution being signed in Rome in December, as planned, are receding. Although Berlusconi, in a meeting with Gerhard Schröder, has said that he was very attached to the December deadline, because he wanted the new constitution to be signed in Rome, Valéry Giscard d'Estaing, the chairman of the Convention which is drawing up the document, admitted on 14th March that the Constitution could probably not be presented to the European Council in Thessaloniki on 20th and 21st June, as planned. He claimed to see no problem in delaying the conclusion of his Convention's work to the end of September; but the risk, in the eyes of the supporters of the constitution, is that any delay now will only snowball. Giscard thinks there should be a special summit devoted only to the constitution, to be held in October or November; but there might still be disagreements then, especially since the new member states are involved in the process too. Four member states (Sweden, Finland, Denmark and the United Kingdom) have joined six candidate countries (Slovakia, Poland, Hungary, the Czech Republic, Lithuania and Latvia) in asking for a period of reflection between the end of the Convention's work and the beginning of the Intergovernmental conference which will prepare the new treaty. The candidate states do not want the Constitution to be signed before they join on 1st May 2004, by which time the presidency will be held by Ireland.

So Berlusconi seems to have lost grip of *"his"* ceremony in Rome this December. But, according to commentators, his support for the British, Danish, Portuguese and Spanish governments on the Iraq crisis has pushed suspicion among EU states to their highest imaginable level. Under the circumstances created by the Iraq crisis, Paris and Berlin are unlikely to accept that foreign policy should be decided by majority vote. But just as disagreements and national reflexes of the European states could not be greater, Giscard is still talking about the *"profound unity"* of European peoples which he wants to *"come to the surface"*. [*Libération,* 18th March 2003]

Commission cuts growth predictions

More economic gloom has spread as the European Commission responded to high oil prices and general economic slowdown by cutting even further its already anaemic predictions for growth in the EU. In the euro zone, growth is slated to be about 1.8% next year; the war in Iraq is likely to reduce this even further. The commissar responsible, Pedro Solbes, said that even this figure was *"optimistic"* and indicated that he thought growth might be nearer 1.25%. Many expect the European Central Bank to respond to hostilities in the Gulf by cutting interest rates, but the commissar acknowledged that monetary policy was severely complicated by the drastic rise in oil prices. [*Handelsblatt*, 17th March 2003] Commission officials are naturally already talking about making the stability pact "more flexible". The Commission thinks that if the Iraq war is short and if oil prices rise by only 50% then the effect on the euro zone economy will be limited; if the war drags on and the oil price doubles, then growth would shrink to 0.3%. [*Der Standard*, 18th March 2003]

Could enlargement be delayed?

Concern is even growing in the EU that enlargement could be now delayed. Chris Patten, the commissar for foreign relations, has said that the Iraq crisis was threatening the timetable for the admission of new member states. *"We should not call into question the European vocation of the candidate states on the basis of their attitude in the Iraqi crisis,"* he told the European Parliament. At the same time, Patten reminded the candidate countries that admission to the EU entailed certain duties, and these included refraining from actions which threatened the coherence of the EU's external policy. He was referring, of course, to the very public support given by candidate countries to the US in the Iraq crisis. Some MEPs are also claiming that the European Parliament's rights over the EU budget were violated when the amount to be spent on enlargement was decided by heads of state and government at the EU summit in Copenhagen.

Markus Ferber of the CSU said that as long as the budgetary issues had not been approved the European Parliament could not vote on enlargement. This would make it almost impossible to sign the accession treaties on 16th April in Athens. Elmar Brok added grist to the mill when he said that the agreement reached at Copenhagen was "incompatible with EU law". He said that the Parliament's approval was decisive for all budgetary questions. He said that Parliament wanted neither to increase spending nor to delay enlargement, but that Parliament's legal rights had to be accepted.

Although the Commission is desperately trying to play down these remarks as institutional quibbles, they in fact hide very substantial concern about the open letters signed by the candidate countries, and about the effect of their admission to the EU on the EU as whole. It is even speculated that the Beneš decrees could be put on the agenda again when the European Parliament votes on enlargement one week before the planned signature of the accession treaties in Athens. Christian Democrats and other conservative MEPs are still unhappy about the continued existence of these decrees on the statute book of the Czech Republic. [Andreas Middel, *Die Welt*, 13th March 2003]

Why the United Nations is Right on Gibraltar

by Tony Lodge

Over the past few months we have witnessed media commentators the world over monitoring and seeking to interpret the various daily diplomatic manoeuvres emerging from the United Nations on the critical question of Iraq. One can argue that the UN itself has laid bare its many faults. Has its mandate effectively ended? Has the authority of the Security Council hemorrhaged? Only time will tell.

One important UN development, which should be applauded, emerged on 12 February this year. Against the backdrop of blanket media coverage on Iraq, the UN Secretary General, Kofi Annan, reconvened the UN Special Committee on Decolonisation. This new session of the Special Committee has provided the British Government with an opportunity to address positively an issue which has been mishandled since its election to office in 1997, namely Gibraltar.

The Secretary General has asked the Special Committee to continue to base its work on the principles of the UN Charter and General Assembly resolutions 1514 and 1541, which contain the important 'Declaration on Decolonisation'. These resolutions date from the early 1960s. The re-emphasis of these two resolutions is critical to the present debate on Gibraltar and future Government policy, administered through the Foreign and Commonwealth Office in London.

The two resolutions establish the following principle; *"colonial territories can exercise a full measure of self government through one of the three options: free association, integration with another state, or independence. It is essential that the choice be the result of the freely expressed wishes of the territorial peoples."*

> Never has the future status of Gibraltar been more important than today

Never has the future status of Gibraltar been more important than today. London and Madrid have resumed talks on the future status and sovereignty of the 'Rock' which has led to distinct and predictable tensions amongst the Gibraltarian community. Fears of a sell-out are rife and Gibraltar's combative Chief Minister, Peter Caruana, has refused to attend any talks in protest at the, *"dialogue which requires us to forfeit our own position and our right to self determination"*.

> Denis Macshane continues to maintain that a joint sovereignty plan is the way forward, irrespective of clear and overwhelming opposition

In the Gibraltarian Referendum last November, the idea of joint sovereignty with Spain was dismissed by 98.7% of the population. But still, in recent Parliamentary Written Answers, the British Foreign Office Minister responsible, Denis Macshane, continues to maintain that a joint sovereignty plan is the way forward, irrespective of clear and overwhelming opposition.

It is therefore important to examine an issue which is increasingly on the lips of those who understand and are connected with Gibraltar's small but vibrant political community. Of the three options raised and re-emphasised by the UN Special Committee, devolved integration is clearly a popular option amongst Gibraltarians. In a poll for the *Gibraltar Chronicle* in March, integration with Britain topped the poll, supported by 39% of those canvassed, with free association being the second most popular choice with 32%.

The issue of integration is being actively canvassed on the Rock and it is increasingly a point of discussion. The re-emergence of the Integration with Britain Movement (IWBM) in Gibraltar has been almost universally welcomed. The IWBM has produced various thought provoking policy papers in recent months and is increasingly making its voice heard at Westminster. A recent Early Day Motion in the House of Commons has secured many signatories in calling for Gibraltar's devolved integration with the United Kingdom.

Also, the Government has introduced the European Parliament (Representation) Bill which will enfranchise Gibraltarians to vote in future UK European elections, thereby including the Gibraltarian electorate with those of an existing electoral region in England or Wales. For most of the Gibraltar electorate this Bill is good news. For integrationists it provides a timely boost to their campaign.

What of devolved integration with Britain? What are the implications for Gibraltar and its substantial level of self-government? There are indeed many questions which can be levelled at the call for integration, but there are also considered and well formulated answers. It must be made clear that the integration of colonial territories with the 'mother country' is not a new concept.

The French enjoy devolved integration with their Caribbean possessions, Martinique and Guadeloupe. Both islands have seats in the French National Assembly. The Dutch Antilles and Aruba have a similar relationship with Amsterdam and Spain has Mellila and Ceuta on the North African coast. In 1998, Peter Caruana made written representation to the Commons Foreign Affairs Committee on 'Integration' and rightly criticised the Government's position following the publication of a White Paper on Overseas Territories. Of the integration option he wrote, *"The Gibraltar Government regrets that the White Paper appears to close the door on this option."*

It is important to remember that the last time Gibraltar voted on the sovereignty issue, in 1967, 12,138 were in favour of continuing ties with Britain and 44 were against. This vote prompted a new Constitution for Gibraltar which embodied the principle of consent before any future change in sovereignty could take place. This Constitution still stands and has been consistently highlighted by Jack Straw as a benchmark from which negotiations with Spain are taking place.

However, this was in contrast to Sr Josep Piqué, Spain's former Foreign Minister, who insisted last year, *"The people of Gibraltar cannot have the right of veto over matters being discussed by two sovereign states."* For the people of Gibraltar the situation should be simple and straightforward. This small peninsula has been British since 1713. Its

population have a clear sense of identity, their own culture, heritage and constitution that ensures a large measure of self government. Self-determination is enshrined in Gibraltar's Constitution. It is competently argued that if full and proper self-determination is made available, then integration would be the choice to be determined.

Yet, despite nearly 300 years of British rule the people of Gibraltar continue to face Spanish claims to the Rock's sovereignty. The Spanish continue to show complete disregard for the wishes of the people who live there and regularly seek to block traffic at the frontier, cause unnecessary delays to shipping and aviation and interrupt telecommunications. Their determination to prevent Gibraltar from maximizing its status as a major financial and air transport hub for the southern Iberian peninsula entered a new chapter when General Franco closed the border in 1969, a situation that lasted for 15 years. Draconian rules on flights, telephone numbers and free passage still exist today, in total contravention of EU law. Gibraltarians have long pointed to the illegal and often feudal treatment which they receive from their neighbour, often to have their call for official diplomatic objections to be made to the Spanish ignored by the Foreign Office in London.

Gibraltar deserves a secure future with secure promises.

This impasse must end. Gibraltar deserves a secure future with secure promises. The door to joint sovereignty which has been opened by the British Government must now be closed. Democracy has been exercised and the Gibraltarian community is not remotely tempted by the menu provided by the Foreign Office.

Decolonisation through joint Anglo-Spanish sovereignty does not constitute an imaginative solution to Gibraltar's decolonisation. It has been rejected by the people of Gibraltar with virtual unanimity by referendum under external and distinguished supervision.

In order to protect Gibraltar from future petty harassment by her neighbour, the British Government should seize the initiative and agree to bring forward legislation to provide Gibraltar with devolved integration. It is clear that there is no wish or desire to enter into joint rule with Spain. Consequently, the status quo is untenable.

In its re-emphasis of resolutions 1514 and 1541, the United Nations has taken a lead. Indeed, until now the UN Special Committee has passed resolutions emphasising that Gibraltar should be dealt with as a territorial dispute between the UK and Spain, and has failed to previously recognise the right of self-determination. It has now provided the British Government with an opportunity to finally secure and consolidate Gibraltar's position as a modern democratic British territory in a modern Europe.

Tony Lodge is Information Director of the Conservative Friends of Gibraltar. He was Editor of the European Journal, *1998–2002*

… news in brief

Vatican: war is "a crime"

The day after the American ultimatum to Saddam Hussein, the Pope issued the strongest possible condemnation of the Anglo-American attack. He instructed his official spokesman, Dr. Joaquín Navarro-Valls, to issue the following terse statement: *"Those who decide that all peaceful means that international law makes available are exhausted assume a grave responsibility before God, their conscience and history."* [*Vatican Press Office,* 18th March 2003]

The statement followed the Pope's condemnation of the war in St Peter's Square on 16th March 2003, and the interview given by the head of the Pontifical Council for Justice and Peace, Archbishop Renato Raffaele Martino, who said, "War is a crime against peace which cries for vengeance before God. Do not reply with a stone to the child who asks for bread. They are preparing to reply with thousands of bombs to a people that has been asking for bread for the last 12 years."

EU defence policy in tatters

The absence of the British defence minister, Geoff "Buff" Hoon from a routine EU defence ministers' meeting in Greece – he had more urgent business to attend to in London – could not have been more symbolic. Nonetheless, the French defence minister, Michèle Alliot-Marie, tried to pretend that all was well: "Our transient differences," she said, "will not impede our will to make progress with European defence." The only problem with her optimistic statement is that the backbone of European defence is Franco-British co-operation – the one relationship which has soured more than any other within the EU. At the beginning of April, the EU is to take over from Nato in the running of Macedonia, and supporters of European defence are looking forward to this with glee. (They seem less interested in the actual resolution of the crisis in that country, so keen are they to have their own EU protectorate.) But apparently Macedonia is only the *amuse-bouche* for other more important military dishes: the EU wants to take over peacekeeping operations in Bosnia as well.

There seems, therefore, to be little chance of the situation being resolved there either, now that institutional interests are firmly driving the agenda. The EU already has a police mission in Bosnia & Herzegovina composed of 510 policemen under the command of Javier Solana; it is now looking forward to greater glory. Finally, the EU agreed to create a *"rapid reaction force"* at the Helsinki summit at the end of 1999; nothing much seems to have happened since then. *[Libération*, 15th March 2003]

Legal action taken against Bush Sr and Powell

On the basis of Belgium's recently reaffirmed right to practise universal jurisdiction, seven Iraqi families have lodged legal proceedings with the prosecutor in Brussels against former President George H. W. Bush and General Colin Powell, the current Secretary of State, for acts committed during the first Gulf War.

The current Vice-President, Dick Cheney, who was US Defence Secretary at the time, is also a defendant, as is General Norman Schwarzkopf who directed "Desert Storm" in 1991. The suit is being supported by a Belgian socialist deputy, Patrick Moriau. The plaintiffs are *"victims"* or *"members of the families of victims"* of the bombardment by American forces of a shelter in which 403 people died on the night of 12th – 13th February 1991. Mr Moriau said, *"We are convinced that these same errors will be repeated and we want to show that all legal means will be deployed to stop them."* The American leaders thus join Ariel Sharon, Yasser Arafat, Fidel Castro and a whole host of other world leaders on whose alleged crimes the Belgian courts are now going to have to pronounce: the decision last month to allow the case against Sharon to go ahead caused the then foreign minister of Israel, Benjamin Netanyahu, to accuse Belgium of *"a blood libel"* against the Jewish people. [*Libération*, 18th March 2003]

Germany's Woes set to Continue

by Martin Essex

It is tempting to blame Germany's current acute economic weakness on an overvalued exchange rate within the euro-zone and a lack of competitiveness with its euro-zone partners. In short, the accusation is that Germany adopted the euro at too high an exchange rate. Indeed, this is often stated as fact. However, the exchange rate and other measures of competitiveness do not fully explain Germany's economic problems.

The truth is that excluding the years 1990 and 1991, which were distorted by the reunification of Germany's western and eastern Länder in October 1990, Germany's annual economic growth rate has fallen persistently over the last few decades.

For sure, annual growth rates in the UK, France and Italy have fallen too. However, Germany has under-performed the other major European economies over the past 10 years. Since 1992, when it was still benefiting from reunification, it has consistently recorded lower growth rates than its key European competitors.

But to what extent is this under-performance due to an overvalued currency – to Germany adopting the euro at too high a real exchange rate?

Western Germany and France have had, to all intents and purposes, a fixed exchange rate since 1987, the year of the Louvre Agreement. From that time until the euro was introduced for non-cash transactions 12 years later, and the conversion rates for the euro were fixed 'irrevocably', the Deutsche mark and the French franc fluctuated within a range of less than 6%.

Against other currencies that have since been replaced by the euro, the mark was stable for decades against some in the so-called European 'core' – such as the Dutch guilder and Austrian schilling – but for only a few years against others on the so-called 'periphery' – such as the Italian lira and the Spanish peseta.

But have the mark, the French franc and the other former currencies of the euro-zone been linked at the correct exchange rates? If there is a problem it is a long-standing one, or Germany has become uncompetitive since the euro exchange rates were fixed, or it only has a problem with the 'peripheral' nations.

Note that between 1992 and 1998, the mark appreciated substantially against the currencies of Italy (+31%), Spain (+35%), Portugal (+21%), and Finland (+12%). Germany therefore adopted the euro at a much less competitive rate against those countries than if the euro had been introduced seven years earlier.

This period is a key one, beginning with the first European currency crisis, when the UK and Italy seceded from the Exchange Rate Mechanism, in September 1992. The second European currency crisis, when the ERM bands were widened, was in August 1993. Italy rejoined in November 1996, and the 'irrevocable' conversion rates were announced in March 1998 and fixed in January 1999.

These appreciation figures are substantial. However, a look at Germany's overall trade-weighted exchange rate suggests that they overstate the case. Germany's trade-weighted index against the rest of the eurozone increased by 7.6% over the key six year period leading up to the introduction of the euro. However, the mark actually weakened by 11% against the dollar over the same period, and its overall trade-weighted exchange rate increased by only 2.2%.

Arguably, it is almost impossible to know what Germany's 'equilibrium' – or correct long-term – exchange rate is against other currencies. It may be that the mark was already overvalued at the beginning of the period, and more overvalued at the end, or undervalued at the beginning, and less undervalued at the end. Either way, its appreciation between 1992 and 1998 did Germany no favours.

An International Monetary Fund working paper that attempted to calculate equilibrium exchange rates for the end of 1998 concluded that the mark was 3.00% overvalued against the euro at entry, while the French franc was 0.13% undervalued, the Spanish peseta was 0.42% undervalued and the Italian lira was 3.76% undervalued.

The precision of these figures needs to be taken with a pinch of salt but the conclusion that the mark is only marginally overvalued, if at all, is supported by a more detailed look at the trade-weighted exchange rate.

The strength of the mark in the five years after reunification was at least partially reversed before the conversion rates for the euro were fixed in 1999. It may still have been over-valued against a theoretical equilibrium, or compared with some other arbitrary starting date, but, if so, it seems unlikely that it was by much.

This conclusion is also supported by the earlier conclusion that Germany's relative economic performance has been poor not just for the last few years but for decades.

So if the exchange rate is not the whole problem, can Germany's weakness be explained by a lack of competitiveness caused by increases in relative unit labour costs? It would seem not. Over the last two years, moderate wage increases and a weaker cyclical position have led to improved German competitiveness within the eurozone, according to European Commission data. In the longer term, too, Germany has outperformed.

However, in manufacturing – the crucial area for trade – the picture is reversed, and Germany has underperformed the euro-zone as a whole.

As for Germany's competitiveness with the industrialised world as a whole, it has made substantial headway in recent years. Figures for German whole-economy labour costs relative to 23 other major industrialised countries show that a loss of competitiveness after reunification has been more than reversed since.

There have been similar improvements since 1995 in German competitiveness against the other countries of the European Union as a whole and against the other countries that have adopted the euro.

Clearly, while German reunification initially led to a significant loss of competitiveness for the Federal Republic, there has been a definite improvement since.

There was a good deal of scepticism at the time of reunification about the decision to exchange the currency of the German Democratic Republic, the Ostmark, for the Federal Republic's Deutsche marks on a one-for-one basis – but this absorption of the less efficient east into the more efficient west would appear from the figures to have had little lasting impact on German competitiveness.

So these figures – which include items such as social security contributions as well as wages – suggest that, except in manufacturing, worsening unit labour costs provide no more of an explanation for Germany's economic weakness than the exchange rate.

If Germany does have a competitiveness problem, especially in manufacturing, one area in which it would show up would be the nation's trade data. But here again the evidence is mixed. Within the European Union, Germany's merchandise trade surplus has continued to increase over the past decade, though the rate of increase has been erratic in recent years.

In particular, Germany's merchandise trade surplus with France has risen, not fallen – though again the rate of increase has been erratic.

Germany's merchandise trade surplus with the UK has also continued to increase over the past decade, both during periods of sterling strength against the mark/euro and during periods of weakness.

However, German exports to other EU countries as a percentage of all EU countries' exports to other EU countries fell steeply between 1989 and 1999. In other words, although Germany's exports to its neighbours increased, they did so less quickly than most of the neighbours' exports to each other.

Of all the evidence of a lack of competitiveness, this is perhaps the most powerful.

Moreover, a similar picture emerges if the EU members not in the eurozone, the UK, Sweden and Denmark, are excluded. Germany's share of intra-eurozone exports dropped from a 1961–2001 average of 31.2% to 26.5% in 2001.

Thus Germany's export growth has lagged significantly behind those of many of its major and minor EU competitors.

To some extent, this probably represents the mark's appreciation between 1992 and 1995 against the currencies of some of Germany's key competitors such as the UK, Italy and Spain, mentioned earlier. These three countries accounted for more than a quarter of intra-EU exports in 1995.

In addition, the EU has expanded in recent years. Remember that only six countries – Belgium, Germany, France, Italy, Luxembourg and the Netherlands – joined at the beginning. Since then, there have been four subsequent waves of accession, with Denmark, Ireland and the UK joining in 1973, Greece in 1981, Spain and Portugal in 1986 and Austria, Finland and Sweden in 1995. The last group alone accounts for a substantial share of EU exports and GDP.

Nonetheless, the drift downwards in German export share has now been in place for decades, though in the last few years the situation has been partially reversed and, since 1999, Germany's share of non-German intra-EU exports has picked up encouragingly.

The improvement can also be seen in the data for Germany's current account balance with the rest of the world. Having run a current account deficit each year from 1991 to 2000, Germany managed a surplus in 2001 and a larger surplus in 2002.

This reflected, in part, import weakness caused by slack domestic demand.

The trade data therefore provide some evidence – though nothing conclusive – to support the theory that Germany has a competitiveness problem that can explain its chronic economic weakness, and this was also the judgement of a recent study published by the International Monetary Fund.

It noted that *"the debate is sometimes cast as 'did Germany enter EMU at the wrong exchange rate?'"* and looked too at some of the issues analysed earlier in this article such as the exchange rate, the current account balance and Germany's export market share. It also made some *"crude estimates"* of the profitability of the German, French and Italian business sectors.

On a multilateral basis, concluded the IMF, Germany appears to be comfortably competitive. Its competitiveness against its eurozone partners is less clear *"but most indicators are within bounds of normal variation. Competitiveness has improved since the mid 1990s and, in more recent years, earlier losses of Germany's euro area export market share have started to be reversed."*

The evidence from the exchange rate statistics, the unit labour costs data and the trade figures therefore provide mixed evidence that Germany's economic weakness is a result of a lack of competitiveness. Moreover, the foreign trade component of the economy has made an erratic contribution to GDP growth over recent decades. While the contribution was negative in the 1990s, it has been positive so far in this decade.

By contrast, domestic demand growth has tumbled. Gross fixed investment, which added an average of 1.3 percentage points a year to GDP growth in the 1990s has made a negative contribution of 0.7% a year so far this decade. Government spending, which added 1.0% a year to GDP growth in the 1990s has made a contribution of just 0.2% a year so far this decade. And consumer spending, which added 3.1% a year to GDP growth in the 1990s has made a contribution of just 0.4% a year so far this decade. This would appear to be the root cause of Germany's economic weakness.

Thus, it seems likely that the rising rate of unemployment, and the loss of purchasing power associated with it, is the key factor explaining weak German growth through the 1990s, rather than a competitive disadvantage. Note that domestic demand growth in France and Italy has consistently outpaced growth in Germany in recent years.

To summarise, there is little conclusive evidence that Germany adopted the euro at a substantially overvalued exchange rate, that its unit labour costs have increased relative to the eurozone average or that its trading record highlights a major competitiveness problem.

The most telling evidence – Germany's falling share of intra-EU exports since the late 1980s – can be at least partially explained by other factors. The data suggest that if the mark was overvalued when the euro exchange rates were fixed, it was not substantially overvalued. To blame all Germany's problems on this is therefore simply too crude.

The relevance of the euro to Germany's problems is not that the country adopted it at a seriously uncompetitive exchange rate but that, because it has adopted it, Germany is no longer able to administer an appropriate monetary policy or, because of the Stability & Growth Pact, an appropriate fiscal policy, or use the exchange rate to make up for its domestic problems by becoming supercompetitive overseas as Japan has tried to.

The conclusion that a lack of competitiveness is not the problem has worrying implications too. Competitiveness is relatively simple – albeit painful – to improve, even without a flexible exchange rate: the country has to improve relative unit labour costs by undergoing a period of low, or negative, wage increases.

By contrast, deep seated structural problems like too much regulation, over-strong unions and a culture of dependency are very much more difficult to solve. Germany's economic under-performance is therefore likely to continue.

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LETTERS TO THE EDITOR

A name for Europe
from Mr Hubert Lane
Sir,

In the February issue of the *European Journal* Mr Helmer seems to suggest that the selection of a name for the newly constitution-endowed Europe is something of an irrelevance, and an opportunity for some form of elaborate conceit. Hence his suggestion "The People's Republic of Europe", a name which semantically suggests the diametric opposite of that for which it would stand: an undemocratic, centralised bureaucracy. (Could it be that Giscard d'Estaing was indulging in similar irony when he suggested "The United States of Europe"?)

Frippery aside, a new name for Europe is an issue of great importance. Although it may seem ridiculous to say so, its significance is not purely nominal. The name chosen will most likely be from among the list already mooted by d'Estaing: European Community, United Europe, European Union, and the United States of Europe. This list indicates that the union may retain its former name, and therefore signifies that change will not be purely for its own sake. A renaming will serve two functions. Firstly, the name will shape the future of direction of the union, and is likely to become self-fulfilling, secondly, the fathers of this new constitution are more likely to remembered if their labours are recognised by a new union name.

Names shape perception and progress. Not perhaps to the extent that a union named "The people's Republic of Europe" would become more open and democratic, but certainly a union renamed the United States of Europe will inexorably roll towards "ever greater" integration. Such a name will clearly mark a point of no return. The bureaucrats will be infused with a new and greater self-importance, and work towards fulfilling the title "United States". They will take the name as defining the quiddity of the organisation, and work towards its realisation. Such a name will also serve to overtly establish European ambitions to create a body capable of matching, and on occasions opposing, America.

However, should the title "European Union" be retained, there will be no inner propulsion towards "ever greater" union. The name will suggest that integration has already climaxed, the constitutional changes occurring are tinkerings and nothing more.

For the reason formerly mentioned, the conventioneers will be keen to introduce a name change. But I urge British politicians to take every care when sanctioning a name for the new Europe. If they are consulted they should oppose anything that smacks of federalism, and plump instead for boring old "European Union"… if they are consulted.

Yours Sincerely,
Hubert Lane, Carlisle.

Let the people vote
from Miss Joanna Hamlyn
Sir,

The December issue of the *European Journal* has is still sitting on my desk three months later as a reference book. The articles have been very useful for both facts and arguments. I am extremely worried by the proposed constitution, which the *Journal* brought to my attention.

The most worrying aspect of the constitution is not its name, the use of the word federal or any particular article: it is the fact that it is constructed to be the constitution of a federal state – if not a centralist one.

This constitution would take away our independence and worse, our democracy. We do not even have the right of self-determination – the government are refusing to give us a referendum.

Yours faithfully,
Joanna Hamlyn, Essex

… news in brief

Pan-European political parties to get EU funding

It has been on the cards ever since the Maastricht treaty stipulated that transnational political parties *"contribute to the creation of a European consciousness"*, but the Nice treaty, signed in 2001 and ratified last year, provides financial support for this noble aim. That treaty having entered into force on 1st February 2001, the Commission has now put forward a proposal to subsidise such parties. This would mean, for instance, that the European People's Party and the Socialist Group, the big formations composed of MEPs from different national parties, would get subsidies as parties in their own right. They have functioned to date with more or less illegal forms of funding, namely taking money from other sources and using it for purposes for which it had not been voted. In June 2000 the Court of Accounts found this to be in breach of the treaties, so the party leaders quickly passed a resolution allowing them – without any legal basis – to continue their illegal activities until 2004. This is why the pressure is now on for them to get money from other sources. This has then thrown up a new debate about the sources of funding: Germany wants the pan-European parties to be able to receive unlimited private financing, while the French are opposed to all private finance. Now the Commission has split the difference between them and suggested that private companies can give up to €5,000: France and Germany are both opposed to this, for diametrically opposite reasons, but they are in a minority. The Commission has also suggested conditions which would allow parties to qualify for EU subsidy. They would have to have people elected at national, regional and European level in at least one third of EU member states (i.e. in 5 out of 15 states, with the present EU membership). This financial incentive may explain why the British Conservative Party is suddenly engaged in a flurry of activity, years after they turned down the option of leaving the EPP, aimed at trying to form a union with other 'Eurosceptic' parties in Eastern Europe. Small parties like the 'Democratic Party of the people of Europe – Free Alliance', which includes Flemish nationalists object to these rules, saying that they discriminate against them. In the current state of affairs, only four large political formations would qualify: the EPP, the European Socialist Party (chairman, Robin Cook), the European Party of Liberals, Democrats and Reformers, and the European Federation of Green Parties. The PPE and the ESP would get the largest slice of the cake, since 85% of the money would be distributed according to representation in the European Parliament. They also argue that the amount proposed by the Commission, €8.4 million per year, is not enough. They say they need at least €15 million per year. [Rafaële Rivais, *Le Monde,* 4th March 2003]

BOOK REVIEWS

Built to Last: A Political Architecture for Europe

by **Erik Berglöf, Barry Eichengreen, Gérard Roland , Guido Tabellini & Charles Wyplosz,** Centre for Economic Policy Research, ISBN: 1 898128 64 2, £25.00,151 pp.

Reviewed by Dirk van Heck

Now that the first sixteen draft articles of the Constitutional Treaty and the European Constitution have been published, pamphlets contributing to the debate have begun to appear. *Built to Last: A Political Architecture for Europe* is produced by the Centre for Economic Policy Research and is written with the intention of contributing to the fund of ideas.

The CEPR's professed approach to the subject is to derive the political structures from economic principles. It follows that EU competences should be re-allocated on the basis of economic efficiency. The single market should be strengthened and centralised whilst corporate taxation should remain the prerogative of member state governments and redistributive programmes, notably the CAP, should be scaled down and reformed.

Here, however, the economic analysis ends, and considerations of political philosophy take over. Another reason why the EU's redistributive programmes need reform is that they lack political legitimacy across the EU. It also tells us that the best ultimate model of government for the EU is a directly elected presidency supported by the Commission and Council and subject to a strict separation of powers. The reasons given for this are that such a system would be best adapted to governing such a large and heterogeneous area as the EU and to implementing a Common Foreign and Security Policy. The premise, therefore, for the proposed political architecture is that it should serve a European superstate.

Polls suggest that there is greater support on the Continent for a CFSP than there is for EU membership itself, whilst the UK is lukewarm about EU membership and flatly opposed to a CFSP. The pamphlet argues that foreign policy co-ordination between member states is inadequate as each government is pursuing its own agenda for its own reasons: this explains the tangled European response to the Iraq crisis. In order to be effective, the CFSP needs to be in the hands of a European executive, with its own supporting bureaucracy, police and military.

The pamphlet discusses the pros and cons of the parliamentary model compared to the presidential, and proposes a compromise designed to facilitate the *"evolution"* of a directly elected presidency. For now, the Commission President should be chosen by an electoral college of national representatives. National parliaments should each select the mode of appointment of their country's representatives, as this would enhance the democratic legitimacy of the process. The composition of the electoral college should evolve with the pan-EU demos, and eventually it would become a European college, electing a Commission President who would also chair the European Council. This European Council would appoint the other members of the Commission with a view to achieving political plurality and technical competence among its members. The Commission's legislative powers would be increased, it would have sole right of legislative initiative and it would be subject to checks and balances in a similar way to current trade policy arrangements.

Since a *"lowest common denominator"* approach to the constitution would stall the drive to political unity, there should be two levels of EU membership, the lower level based on economic integration. There should be fluidity between the two levels, but not in the potential for membership itself, since the geographical borders of the EU must ultimately be defined.

This pamphlet sets out a pragmatic and sensible approach to achieving European statehood, but it is not *"evolutionary"*. Rather, it is a manifesto for achieving the integrationists' goal through the institutional manipulation of the peoples of

A Defining Moment?

by **Norman Blackwell,** Centre for Policy Studies, ISBN 1 903219 53 1, £7.50,59 pp.

Reviewed by Dirk van Heck

A Defining Moment?, published by the Centre for Policy Studies, is written by Norman Blackwell, former head of the Prime Minister's Policy Unit under John Major. It attempts to map out the territory for a debate in the UK about the nation's future in Europe, and does so with brevity and style.

The pamphlet opens by deploring the lack of public debate about its subject, which will have *"perhaps the most fundamental influence on the future shape of Britain since the Norman Conquest"*. Blackwell remarks on the general complacency of the British political class with regard the future of Europe and on the little-observed enthusiasm of Tony Blair for further European integration (and not just with regard to the euro).

Whilst praising the objectives of the EU, Blackwell is concerned that the imposition of an overarching political structure could strengthen an unaccountable central bureaucracy and jeopardize stability and democracy in Europe. "*The substantive test,*" he says, *"has to be whether, at this point in history, Britain is politically and economically willing to feel part of a single European state, and a single European electorate."*

The arguments that this test will not be met revolve around variations in political values, differences in legal structures between the UK and continental models, differences in the historical legacy of national identity, differences in economic structures and approach and differences in global outlook, particularly respecting the USA and Commonwealth. Blackwell summarizes these differences concisely and compellingly, before asking whether their loss is a price worth paying for political union in Europe.

If the answer is 'No', Britain should use its veto to negotiate a *"special position"* for itself, perhaps even *"associate status"* modelled on the reciprocal trading relationship with the EU enjoyed by Switzerland and Norway. Here Blackwell elegantly debunks the

assertion that anything but full EU membership would be economic suicide, although he fights shy of drawing from his evidence the conclusion that the economic arguments have all but lost their relevance.

Blackwell concludes by asking nine questions about the UK's relationship with the EU. I wish he would answer them. This is a tightly written, highly informative pamphlet, which rehearses euro-realist arguments very effectively but hesitates to press home their logical conclusion, namely the renegotiation of Maastricht and the subsequent treaties. Giscard d'Estaing does not appear to lack the courage of his convictions. Neither must the euro-realist movement.

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

Man of the Century: Winston Churchill and his legends since 1945

By **John Ramsden**, Harper Collins, 2002, ISBN 0-00-257034-3, 652 pp., £25

Reviewed by Benjamin Wootliff

In 1994, as the Conservative party was indulging in one of its regular bouts of Brussels inspired fratricide, the *Independent* newspaper ran one of its cheekier headlines: "*Top Tory Comes Out for the Euro.*"

The 'top Tory' in question had been dead for more than 30 years, but his presence loomed (and still looms) over the party. Winston Churchill was quoted – correctly if out of context – as supporting the European integration in Europe's darkest days in of 1940, as well as in the immediate period following the second world war, when it appeared that the US was preparing to retreat into its isolationist shell. But of course those seeking to prove that Churchill was vigorously opposed to European integration have always denied the story's validity.

John Ramsden's latest book, *Man of the Century,* explores the Churchill myth since 1945, and in doing so attempts to tease out the truth behind perhaps his most ambiguous of political relationships Ramsden, the leading academic authority on the Conservative Party, examines not just what Churchill said, but what his various descendents, acolytes and disciples wanted him to have said.

The task is a complicated one, not least because of Churchill's monumental stature. Ramsden opens his book with a detailed and moving account of the death of Churchill. His drawn out demise and subsequent funeral was of a scale that will never be repeated, and sets immediately how important a place Churchill takes in the national psyche.

But the significance of Churchill creates its own problems: like any massive celestial body, Churchill bends the political light around him distorting the political perception. The attacks of 9/11 and the crisis in Iraq – and the conscious and unconscious referencing of Churchill in Blair and Bush's rhetoric underline the extent to which Churchill still dominates the political firmament.

The Churchill conundrum is further complicated by his reputation – at least before WW2 – as a political opportunist. Churchill thrived on ambiguity, and on the subject of Europe he was never forced to resolve this ambiguity. Like the bible, political theologians can construct a narrative to suit their own needs.

Finally, the Churchill myth – and its relationship with the European question – remains complicated by his mixed set of personal relationships with the leaders of continental post-war Europe. Churchill's negotiating style, his love for *"personal diplomacy"* made him more amenable to dealing with Germany's Adenauer, rather than the more abrasive and grandstanding demanour of de Gaulle.

In light of this background Churchill's Europeanism appears more opportunistic than instinctive. He turned to his European allies when his US kinfolk (for his mother was American) were less than willing to back Europe either against the Nazi or the Soviet threat. Thus the offer to de Gaulle of a political union between France and the UK was made in the darkest hours of the conflict. Moreover Churchill and Eden fought like *"tigers for France"* according to Roosevelt's assistant Harry Hopkins. Ironically in light of the recent dead-horse trading at the UN, Ramsden describes how Churchill was responsible to for securing France's permanent seat on the Security Council.

But Ramsden points out the contradiction between Churchill's Francophilia and his instinctive tendency to see the US as the defender of the Western Alliance: he wanted *"to see France rise again as an* available *ally in Europe [but] but his core aim [was] that Britain should remain America's sole partner in determining the Western world order."* Churchill seemed oblivious to the problem, and indeed Duff Cooper (then ambassador to Paris) cabled Churchill to ask for clarification of his stance.

Churchill's ambiguity became more apparent when he visited Brussels in November 1946. He talked of a United States of Europe, but added that *"an underlying unity of thought and conviction increasingly pervades the English-speaking world."*

Yet although Churchill tended towards an English speaking alliance, he was also steering his political brethren away from a lust for vengeance, that was perhaps understandable (and politically less risky) in the wake of the Nazi defeat. Ramsden points out that while much of the 1945 Labour cabinet was opposed to bringing Germany back into the fold of civilized nations, Churchill was a determined proponent of Germany's rehabilitation. The rehabilitation of Germany was hastened by the Churchill's relationship with Adenauer, which, according to Ramsden *"presumably meant more to them than the need to work together as heads of government."*

Still, Churchill's relationship with Adenauer can be seen as a synecdoche for his view on Europe: the close personal affection for *"abroad"* did not necessarily translate into political amity. While Churchill continued to talk of Europe in positive terms, he actually did little to promote political alliances. Rather the cost of seeking to move towards Europe – the abandonment of the closely knit post-imperial Commonwealth – was too great a move even for a man as capable of tactical shift as Churchill.

Benjamin Wootliff is a freelance journalist specialising in business and international affairs.

DUBLIN

Dublin is one of the smallest capitals in the European Union. This, however, does not prevent it from being a city full of life and activity. The capital has had a very colourful history; much of it shaped by Ireland's relationship with England, and has been through a great deal of change to reach its current status.

Ireland's history begins with the Celts. These Iron Age warriors were the country's longest inhabitants and reached the Emerald Isle in around 300 BC. They controlled the country for around 1,000 years and left a legacy of unique language and culture that is still strongly felt through Ireland today.

Christianity reached Ireland between the 3rd and 5th centuries, but by 700 AD the Vikings had struck. The area of Dublin first appears in Irish history at around this time, when in the 10th century the Danes established it as a small Viking kingdom. Battles over the rule of Dublin continued until 1170, when the English finally captured the city. Two years later Henry II of England granted the city to the 'men of Bristol', and Dublin became a seat of English government. The Black Monday massacre of 1209 followed, where many English residents of Dublin were killed. It quickly became clear that Ireland was not going to respond well to English rule and this obvious discontent helped shape much of Dublin's history after this time.

The 17th century witnessed Dublin surrendering to the parliamentarians and the much-hated Oliver Cromwell during the English Civil War. Following the Glorious Revolution, William of Orange entered the city in 1690. Dublin was under the control of King William a year later and despite strong Irish sentiment against this, there were no means for them to offer any resistance.

However, by 1782 the Irish Parliament was temporarily independent from English intervention. This coincided with a prosperous period in Dublin, the city experienced a lot of growth in the following twenty years; many of the city's buildings date from this period. This prosperity came to an abrupt end in 1800 when the Act of Union was passed. This act entailed the moving of Irish representatives to the British Parliament, resulting in many wealthy aristocrats moving from their Dublin homes to London. Dublin lost many of its affluent dwellers, and once again became subject to the English.



Trinity College, Dublin *© Bord Fáilte Photographic*

In the 19th century Dublin saw much bloodshed as a number of nationalist struggles to free Ireland from English rule took place. Irish patriot Robert Emmet led an uprising in Dublin in 1803, and by 1867 the Fenian movement had picked up pace and led a further rebellion. A general feeling of patriotism swept over the city from this point on, this reflected in both pro-home rule activism in the form of strikes and protests, and also in the increasing number of cultural activity taking place. For example, many new theatres were opened in Dublin to host nationalistic plays that were becoming increasingly popular.

The bloody repercussions of the 1916 Easter Rising in Dublin added momentum to the drive for Irish independence and led to the Anglo–Irish war lasting from 1919 to 1921. The partition of the country soon followed, and Dublin became the hub of the 26 counties making up southern Ireland. These 26 counties were finally made a republic in 1948, and Ireland left the British Commonwealth in 1949. However, despite the Republic being given independence, issues concerning the UK's role in Irish affairs have been at the forefront of Ireland's political agenda ever since. Control of Northern Ireland has been hotly debated, with Dublin taking a central role in such debates. The Anglo–Irish agreement of 1985 gave the Dublin government an official consultative role in Northern Ireland's affairs for the first time, but the role of Dublin in the North's political affairs has remained restricted since then.

By the late 1990s, the Republic's economy was booming. This was largely due to an injection of investment funds from the European Union that has helped improve the country's domestic position. A number of computer and telecommunications firms have moved into Dublin, this encouraging many onlookers to conclude that Ireland has experienced a transition from a largely agricultural economy to one which is largely post-industrial. Dublin has become a much more attractive place to reside in the last decade, offering appealing jobs matched with an equally appealing lifestyle.

Since the end of the 19th century the city limits have grown far beyond the original borders of the 'Viking kingdom' and Dublin is now a vibrant, exciting city. The country's economic position has improved dramatically, and while Ireland remains politically volatile this cannot detract from the charm of the City and its people.

Laura Coogan is a politics student at Nottingham University, specialising in European issues.

GETTING THERE

Flights:
Numerous airline carriers fly into Dublin International Airport, but try out one of the following for starters:
Aer Lingus
www.aerlingus.com Tel. +353 1 886 3200
Example fare at time of print: £66 return from London Heathrow (May 2003)
Ryan Air
www.ryanair.com Tel. +353 818 30 30 30
Example fare at time of print: £66 from London Gatwick (May 2003)
Ferry:
Prices and departure times vary according to season, so call or check online to confirm. In summer, reservations are strongly recommended. Dozens of taxis wait to take you into town from both ports, or you can take DART, the city's electric railway system, or a bus to the city centre.
Irish Ferries
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Provides 3½-hour "Superferry" service from Holyhead, Wales, to Dublin port and 99-minute High Speed Service from Holyhead to Dun Laoghaire.

ACCOMMODATION

Castle Hotel **
3/4 Gardiners Row, Dublin 1
Tel. +353 1 874 6949
hotels@indigo.ie
As one of Dublin's oldest, this mid-eighteenth century, city centre hotel has reasonably priced rooms and friendly service.
Per Person Sharing: €50.00–€65.00
Single Occupancy: €45.00 - €70.00
Clarion Stephens Hotel and Suites ***
14-17 Lwr. Leeson St, Dublin 2
Tel. 353 21 490 8298
www.choicehotelsireland.ie/cl_stephens.html
All suite accommodation in a relaxed and comfortable setting. All suites consist of spacious living room, fully equipped kitchen, in room fax machine, modem point, CD player and TV.
Single studio: €135 2-bed suite: €290
The Morrison *****
Ormond Quay, Dublin 1, Tel. 353 1 887 2400
www.morrisonhotel.ie
In the heart of the city overlooking the river Liffey, this hotel is a truly luxurious experience.
Superior rooms: €270 Superior suites: €570

SHOPPING

Mother Redcap's Market
Christ Church Place and Winetavern Street
This indoor market, opposite Christ Church, is open Friday-Sunday 10am-5pm; come here for antiques and bric-a-brac.
Nassau Street
Dublin's main tourist-oriented thoroughfare has some of the best-known stores selling Irish goods, but you won't find many locals shopping here. Still, if you're looking for classic Irish gifts to take home, you should be sure to browse.
Temple Bar
Dublin's hippest neighbourhood is dotted with small, precious boutiques - mostly intimate, quirky shops that traffic in a small selection of très trendy goods, from vintage wear to some of the most avant-garde Irish clothing you'll find anywhere in the city.

SIGHTS

Dublin Castle
Dublin 2
Tel. 353 1 677 7129
www.dublincastle.ie
Opening Times: Mon-Fri: 10am-5pm; Sat, Sun & Public Holidays:2pm-5pm. Last tour departs at 4.50pm. (Closed Good Friday, 24th-26th December.)
Admission: Adults €4.25; Senior Citizens & Students €3.25; Children (under 12yrs) €1.75.
Located in the heart of historic Dublin, this castle was established by King John of England in 1204. The State Apartments, which were built as the residential quarters of the viceregal court, are now the venue for Ireland's Presidencies of the European Community.
Guinness Storehouse
St James Gate
Tel. +353 1 453 8364
www.guinness-storehouse.com
Opening Times: Year round, 7 days, 9:30am-5:30pm (however certain holidays excluded).
Admission: Adult €13.50; concessions for children, students, and seniors.
This fermentation plant has been transformed into a place where you can experience one of the world's best-known brands in a totally unique way. The heart, soul and home of Guinness. A must-see for beer aficionados.

EATING

Epicurean Food Hall
Lower Liffey Street
Indoor food market and cafe centre, the Epicurean Food Hall is a good place to stop for a break from shopping, offering a range of eateries from French cafes to Italian pizzas, Japanese sushi, Turkish snack bar and much more. Close to Henry Street and Jervis Street.
Open: Mon-Wed 9.00am-7.30pm, Thurs-Fri 9.00am-8.30pm, Sat 9.00am-6.30pm, Sun 12 noon-6.00pm.
Eden
Meeting House Square, Temple Bar
Open: Lunch 12:30-3:00pm; Dinner 6:00-10:30pm. Ultra-modern designer restaurant with a great outdoor terrace on Meeting House Square. Classic Irish cooking with a modern twist. This is a place to see and be seen in. Sunday brunch served. Bookings recommended.

GOING OUT

When in Dublin, the vast array of pubs, which number over 1,000, are always a must. But for something a little more interesting, try this:
Dublin Literary Pub Crawl
Starting point: The Duke Pub, 9 Duke Street
Tel. 353 1 670 5602
www.dublinpubcrawl.com
This experience gives the tourist a good taste of some of the pubs on offer in Dublin while enhancing one's knowledge of Ireland's literary history. Two hours of drinking and entertainment featuring professional actors who perform extracts from the works of Ireland's best-known writers, such as James Joyce, Samuel Beckett, and Oscar Wilde.
Times: Summer (Easter-October) Nightly at 7.30 pm, Sundays 12 noon & 7.30 pm; Winter (November-Easter) at 7.30 pm Thursday-Saturday, Sundays 12 noon & 7.30 pm.
(Tickets go on sale at 7 pm upstairs in the Duke Pub.)
Admission: €10 adults; €8 students.
Or, if you're up for more than your normal local, try this nightlife hotspot:
Lillie's Bordello
Adam Court, Grafton Street, Dublin 2
Tel. 353 1 679 9204
www.lilliesbordello.ie
Open: Monday – Sunday, 11-late.
Situated on Grafton St. in the South City Centre, Lillie's Bordello is arguably the most elite club in Ireland. Frequented by many of Ireland's (and Europe's) rich and famous, the club is decorated out like a nineteenth century Dublin brothel.

CHUNNEL VISION

The Trouble With Europe

There follows an experiment.

1 The Convention on the Future of Europe is taking expert opinions and publishing this evidence.

2 Much of this is either hideously pretentious or terribly biased, being used to endorse integration. It often comes from EU-funded bodies.

3 Question: would the Convention Secretariat accept a submission based on total but plausible tripe?

4 Answer: judge for yourselves. The following text, plus organisation background piece and executive summary, went up on the Forum website a few days ago. The real identity of the authors and organisation remain a mystery.

Background

Strabo Swift is the Chairholder of the *Circle*, a solidarity brotherhood of revolutionary poets established in June 1997. The *Circle* is a postmodernist collective of angstist artists which coalesced to communitarise their transposed concerns on the tryptichs of neo-liberal society, including the idols and ideology of the morphed Treaty of Rome.

The Trouble With Europe was performed to an open atrium of the *Circle* in December 2002, and forms the opening didactic of the new collection of oeuvres (*Cymbeline's Arrows*) set to be performed later this year at Thessalonica.

The work itself archetypes the gravity of our generation. It is the vocalised first tome of the Aeneid, set in bimillenial tones. Its lines ponder the frugal tabloid mandate that yet lies *sans riposte,* exposing our simplistic 'ITN dinnertime' perceptions.

The Trouble With Europe

by Strabo Swift

Executive Summary

Do we biro
"Freedom"
On the back of our hands
When we meet?
Or is the Convention
Missing something
Here?
Brussels.
Too much
For one city
To hold.

Submission

The trouble with Europe, I'm sure you'll agree
Is crystal-clear visible if only you'd see.
At Laeken our leaders threw up chafed hands;
"Just how do we answer our peoples' demands,
Inject democratic and open debate
Without talking Maastricht and budget rebate?
Our voters feel distant, our system's a machine
That gobbles and topples as simple routine;
They feel no affinity for the twelve stars on blue,
Which orders and bosses and
instructs what to do.
They keep on voting No, and Nej, Non, and say
With Eastern enlargement we're facing a Nie.
A few million spent on propaganda tools
Makes us look like Goebbels
and breaks all the rules."
The mandate was set: the Convention was born,
And yet are its targets ignored and forlorn.
More powers, more Brussels, more Presidents all,
Are driving a federal future uncalled.
A country called Europe is far from the dreams
Of ordinary folk who find it obscene
To read in the papers of fraud, waste and loss,
And yet be unable to word a riposte.
They see broken promises
and recall the dead letter
Of doing far less, and doing it better.
We talk of defence, but the wisdom of Cato
Would see all it spells is the death-knell for NATO.
We strangle our opt-outs, impose QMV,
Forgetting the price tag's uniformity.
We scribble new rights and pencil a Charter
Which derails our justice born of Magna Carta.
We strive for an EU that's all in one dollop,
Discarding the proven Council of Europe
(And yet, when the voters are asked to declare
Which model of governance it is they'd prefer,
They answer they'd rather have something akin,
So we shout with shock, "Now go vote again!").
But how can we honestly hold our heads high
With CFP discards, that pollute and die,
A crude gothic pillage that can nobody please,
That wrecks whole communities, shatters the seas.
Far better for Brussels to drop the pretence
That only the Commission
can monopolise good sense.
And as for the CAP, everyone says
We tax once for farmers; the housewife then pays
Again at the checkout. So every week's end
A mother needs find further
twenty five Euros to spend
(Forgetting the meantime our policy's a racket:
The poor Third World farmer
can't enter our market).
Since reform is stifled with these powers shared,
Let's return them to MPs and make our voice
heard,
A sensible solution with the people agreed
That's treasured and guarded
by the whole community.
And as for the euro, I say without regret
As Spooner would call it: A faith worse than debt.
It's politics first, scant economics at all,
So let's play things straight, a federal tool it call.
Why hazard all on Union, that straitjacket tight
When Europe's a patchwork, a fine mosaic bright?
Your Europe's not Europe, it's just the EU scene;
Our Europe's *all* Europe, a continent free.
Let's step back and blink and consider the matter,
Before we all sign up, democracy shatter.
A federal union of nation states? Pur-lease!
A philosopher's stone, silver-plated sea breeze.
It's one or the other: a pregnancy test.
Let's cut with the mirrors, and give smoke a rest.
If to men's real concerns and deep fears
we don't hearken
The EU is finished; it's Laeken, or darken.
Cast off the dead clothes
with the grace of a pirouette,
Dismantle the superstruct
and return to the silhouette,
Creating a community which feels like no heist:
Much less of the strict and far more of the Maes.
The trouble with Europe, I'm sure you'll agree
Is everyone takes it too seriously.

The Trouble With Europe
by Strabo Swift Esq.
http://europa.eu.int/futurum/forum_convention/documents/contrib/other/0386_c_en.pdf

Fellow artists wishing to contact the *Circle* with a view to entente can email the community on verlaine84@hotmail.com
Professor Harry Seldon, Secretary

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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