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United States Policy on European Integration
An understandable but strategic error since 1990

Bill Cash, MP
&
Sally McNamara • Angela Logomasini
Lorraine Mullally • James Walsh
Carlo Stagnaro • Amelia Knott • Dirk van Heck
Rt Hon. John Redwood, MP • John Laughland
Svetlana Subbotina • John Massey • John Mehrzad
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from the editor

Dear Reader,

At the time of going to print, Bill Cash and I are preparing for a trip to Washington where we will be meeting with leading American academics and policymakers during the first week of April. Our aim is to discuss with our American contemporaries the vital importance of the transatlantic relationship as well as the dangers deeper European integration pose for the US, the UK and the Europe as a whole. We hope not only to explain our Eurorealist position to those we meet, but also walk away with a greater understanding of American opinions. It is essential to maintain an open dialogue with our colleagues across the Atlantic in this crucial matter. For, without open dialogue, the myths and misconceptions about the European project, the Eurorealist movement and American attitudes to both will continue to abound.

Bill Cash has produced a detailed analysis of America's policy on European integration and argues that the time has come for Washington to re-think its stance on the issue (see opposite page). He challenges the pro-integrationist arguments of renowned commentators and highlights numerous examples of the way that EU integration is seriously damaging the transatlantic alliance as well as US interests across the globe.

The American Legislative Exchange Council (ALEC) has kindly invited us to participate in several meetings while we are in America's capital. ALEC is one of America's leading proponents of the Jeffersonian principles of limited government, free markets and individual liberties. Sally McNamara, ALEC's International Relations Project Director, has been working hard to strengthen co-operation and forge closer links between Jeffersonian-minded individuals throughout the world, in particular between America and Europe. In an article on the pharmaceuticals industry, she investigates the issue of price controls, the disparity between the American and European pharma markets and the impact of such controls on the consumer (see page 19).

The serious issue of European over-regulation and the burden of red tape on business activity in Europe will no doubt be discussed at length while we are in Washington. James Walsh of the Institute of Directors and Lorraine Mullally of Open Europe provide two thought-provoking views on the need for less, not better, regulation in the EU. Walsh looks at what it means to be less risk-averse in regard to regulation and how this can be achieved (see page 27). Mullally suggests some simple steps that the UK Parliament can institute to combat EU over-regulation, which have proven successful in other Member States (see page 26). Angela Logomasini of the Washington-based Competitive Enterprise Institute also examines the worldwide costs of the REACH Directive on the chemicals industry (see page 22).

Whether we like it or not, the amount of red tape emanating from Brussels doesn't appear to be getting any lighter, and it is impacting American and British business interests inEurope on a daily basis. In an article from the Industry and Parliament Trust, Amelia Knott gives some very sound advice; she suggests that businesses should be as well educated as possible on the EU legislative process in order to help protect and promote their individual interests (see page 33).

In order to make room for the excellent articles from American, British and Italian contributors, *Solon* and *Investigating* are on hold this month; both will appear in the next issue. Also, be sure to check out *Legal Digest*, a new regular column by our former Head of Research, Dirk van Heck (see page 37).

Yours faithfully,



Sara Rainwater

United States Policy on European Integration – An understandable but strategic error since 1990

by Bill Cash, MP



1 - Introduction

Whilst entirely understanding how it came about in the first place, there is an overwhelming case for the United States government and Congress to review its policy towards EU integration. The situation that prevailed between 1945 and 1990 has now significantly changed since the ending of the Cold War, the rise of globalisation and the development of European government from the Maastricht Treaty onwards, as exemplified most recently by the attempt to implement a Constitution for the European Union. This Constitution would give legal superiority over the Constitutions of the individual nation states of Europe, including those of specific allies of the US. This would therefore constrain the freedom of those allies, such as the United Kingdom, where their individual economic, security and foreign policy would differ from that of the Union as a whole in respect to the United States.

Churchill certainly would not have countenanced such an undemocratic European Constitution, nor the existing Treaties upon which the Constitution has been built since 1990. Tony Blair, whatever his stalwart alliance with the United States, has wrongly promoted this undemocratic Constitution; his appreciation of US objectives must surely not exonerate his support for the failures of the European integrationist project.

In his speech on 21 March on foreign policy, Blair, failed to mention European integration at all and there is now an eerie silence within the Conservative Party on the fundamentals of European integration, except from those failed past leadership contenders Kenneth Clarke and Michael Heseltine who are virulently against the Bush/Blair policy on Iraq and who simultaneously are fervently in favour of European integration and the European Constitution. This is illustrative of the problem facing the United States, which is that enthusiastic support by the US for Tony Blair's policy on European integration is shared by those who are most critical of US foreign policy. These are strange bedfellows indeed.

America, for her part, has vital trade, defence, and foreign policy interests in Europe. It is therefore in her own national interest to encourage the reversal of the European Union's accelerating drive towards a social democrat, protectionist United States of Europe, which is cluttered with policies harmful to US business and investment and which have led to unsustainable over-regulation, low growth and high unemployment in the eurozone. At the same time, it remains important for America to encourage free trade in and with Europe. In short, America's policy should be *yes to European trade; no to European government*.

This is by no means the first time the US has had to evaluate its assumptions towards Europe. As early as 1823, President James Monroe issued the Monroe Doctrine, which sought to define America's relationship with European countries. President Franklin Roosevelt was again forced to assess America's connection with Europe when considering the potential impact of Nazi Germany on his country. In his speech, *The Arsenal of Democracy*, made in December 1940, Roosevelt debated the extent of future US military intervention based upon the situation unfolding in Europe and concluded that, *"never before since Jamestown and Plymouth Rock has our civilisation been in such danger as now."*[1]

History has shown that the US and Europe cannot live in isolation. Once again, the time has come for the US to reappraise its relationship with Europe and make fundamental decisions as to the way in which the US endorses developments in the European Union, particularly as they have such a profound impact on the US and the world as a whole.

2 - American Myths about European Integration

A number of renowned American commentators have greatly influenced US policy on Europe. They have significantly reinforced the assumptions upon which the State Department has established European policy since 1945. From the First and Second World Wars, through to Marshall Aid, the Cold War, Kosovo and most recently the Balkans, America has consistently shown herself willing to expend her wealth, and even her citizens' lives, to bring peace to Europe. Indeed, given the Second World War and the vital contribution made by the United States to the Allied success against Nazi Germany, it was utterly understandable that American policy after the War would seek to avoid a repetition of the circumstances that gave rise to the conflict.

The view of the State Department has been – at least since John Foster Dulles and Robert Kennedy – that the best way to achieve peace in Europe is by uniting Europe. This explains why the US has long supported and encouraged the European Union – but what type of European Union? Times and circumstances have changed, and deepening European integration is now having negative consequences for vital US interests.

The reason for this is straightforward. What used to be the European Community has been evolving into a European government since the Maastricht Treaty in 1992, the Amsterdam Treaty in 1997, the Nice Treaty in 2003, and the proposed EU Constitution – a government pursuing policies that depart from the historical attachment of the UK and the US to the principles of free trade, democracy, and the Atlantic Alliance. The eventual aim of many European leaders is a United States of Europe with one currency, one body of law, one supreme court, one flag, one anthem, one defence policy, and one frontier. But the basic framework of European government is embedded in the existing European Treaties, which are failing. A number of pro-integrationists have even admitted this. The European Reform Forum (ERF), which took evidence from a number of leading politicians, businessmen, economists, lawyers, historians, academics and administrators from all sides of the debate during Blair's presidency of the EU, proved this. British Ministers for Europe, Denis MacShane, MP, and Keith Vaz, MP, both conceded that there were fundamental problems with the EU, as did the likes of former EU Commissioner, Lord Dahrendorf, and Tony Blair's former Economics Advisor, Derek Scott.[2]

The American policy of promoting greater unity in Europe can be traced back to the aftermath of the First World War, Woodrow Wilson and the League of Nations and the Kellogg-Briand Pact of 1928. Furthermore Churchill himself proposed a policy of European unity in Zurich in 1946, although this was not intended to absorb the United Kingdom into a European Union as is commonly alleged. By the end of Churchill's premiership in the 1950s, as Roy Jenkins (his distinguished biographer) clearly indicated, Churchill was not in favour of Britain being politically integrated into Europe, but preferred a looser association.

The myth that Churchill would have approved of, for example, the Maastricht Treaty is mirrored by myths generated by many commentators, including those from the United States. There is, however, no doubt that the United States was enthusiastic that Britain should join the European Economic Community (EEC) as Britain disengaged from Empire, and because the United States saw Britain as its staunchest ally in Europe. This made sense from many points of view whilst the Community was primarily economic, but once it entrenched itself in European government through the Maastricht Treaty, the picture, and therefore US policy, should have changed. These events were mirrored on the ground by differences between Britain and France in the context of policy towards America and the Soviet Union. Hence, Howard Macmillan applied to join the EEC in 1961, partly to retain American support for the British nuclear deterrent and to prevent France from leading Europe. The idea of Franco–German reconciliation, important as that was and remains, has in this context become a problem rather than the solution.

Specific American commentators have missed the point on the European Union. In *The European Dream*, Jeremy Rifkin argues that in the globalised world, authority no longer lies with the nation state but institutions, which supersede sovereign state prerogatives. In the context of a world where *"geographic boundaries of all sorts are loosening or disappearing altogether,"* Rifkin praises the European system where Member States retain just a "*modicum of sovereignty*" compared to US, whose government is hardening its notions of sovereignty in *"contradistinction to everything going on around it."*[3] Rifkin goes on to cite Francis Fukuyama, who writes that, *"Americans … tend not to see any source of democratic legitimacy higher than the nation state."*[4] In sum, Rifkin and Fukuyama discredit the need for democratic accountability in a globalised world by praising the decline of national sovereignty in the EU's Member States and criticising America's reluctance to cede any sovereignty to unelected higher powers. The reason why Americans invest all their sovereignty in the nation state is because there *is* no democratic source of legitimacy higher than their democratically elected, directly accountable government.

Democratic accountability is the essence of any nation state. It must be traceable to direct questioning; the person who is questioned – who has taken a decision or is about to take a decision – is obliged in public to answer for the policy he or she has devised before it has taken effect. If or when the devised policy goes wrong, it must be possible to hold the person directly responsible for their actions. This system is simply not applicable to the EU or the UN, or in any of these much vaunted supranational and international institutions. This is particularly so where the assumption is made that the supranational route is better or has become more necessary in a world now deeply infused with global communications and the internet. Rifkin's assumptions reduce democratic accountability. This needs to be enhanced in our new world, which needs more of the democratic nation state than less. His thesis goes in exactly the wrong direction.

In *Democracy in Europe*, Larry Siedentop discusses the issue of democracy and sovereignty in a different light. Siedentop contends that the key reason behind America's support for greater EU integration is the *"appeal for solidarity in working for the spread of liberal democracy. That is a better interpretation of the American wish for Europe to speak with a single voice."*[5] Siedentop appears to have completely misunderstood the idea of democratic accountability as described above. The ideas of democracy and an integrated Europe are contradictory. It is impossible for Siedentop to claim that further political integration of Europe will lead to the spread of 'liberal democracy'.

Rifkin also places huge emphasis on the reformed nature of Europeans. He argues that human nature is indeed able to change,

evidenced by what Europe has 'achieved' since the end of the Second World War. This includes the end of the Cold War, which is extraordinary as it was NATO that was truly responsible for this.[6] Furthermore, with events such as the rejection of the EU Constitution, disputes over the EU budget and Common Agricultural Policy, and the rise of economic nationalism and protectionism, tensions within the EU have never been so high. Apparently the 'European Dream' is one of *"inclusivity not autonomy."*[7] If this is really the case then why is the whole European project driven by a Franco-German axis of power, with the French advocating greater political integration in order to dilute the power of Germany, which increased dramatically following the implementation of the Treaty of Nice in 2003, as outlined in section four below.[8]

The bibliographies of the books of those such as Rifkin and Siedentop indicate that they are deeply influenced by the politicians and think tanks in Europe who have spectacularly failed to get the judgments on the European question right. There is precious little evidence that they have read or followed the arguments of those who have made the correct judgments and predictions and the same would seem to apply to the State Department. It seems as if there has been a triumph of hope over experience. This would not matter if what was at stake was not so serious, as the former Cabinet Minister and now Conservative Foreign Affairs spokesman in the House of Lords, the Rt Hon. Lord David Howell, indicated in his evidence to the ERF on democracy and European integration:

"I make a preliminary observation that this is the most important matter that I have ever been engaged in for well over 40 years in politics and in five political careers…The stakes are enormous and the need for clarity and a right way forward is immense, and the penalties for getting it wrong are vast."[9]

In the widely acclaimed book, *Paradise and Power*, which certainly contains seminal thinking, Robert Kagan, too, misses the point of the dangers of a failing European Union. He, too, quotes copiously from the works of Charles Grant and Robert Cooper. Both Grant and Cooper are known to be close to Prime Minister Tony Blair. He also quotes from Europhile proponents of the European Constitution, Lord Christopher Patten, Romano Prodi and Joschka Fischer. Kagan recognises that there are difficulties in European integration, but there is no recognition that he has taken on board that those who have the best credentials are those in the Eurosceptic think tanks who have consistently proved their point on such issues as the collapse of the Exchange Rate Mechanism, the eurozone's low growth and high unemployment, the failure of the Stability and Growth Pact, the collapse of the aspirations for the European Constitution, and the failure of the EU3 in relation to Iran to name but a few. This is hardly a prescription for paradise.

America is increasingly being forced to adopt a policy of *"going it alone."*[10] This is not, however, due to the *"cowboy diplomacy"*[11] of the Bush administration, as Rifkin contends, but the fact that, since the Second World War, the US has invested too heavily into the wrong kind of EU system in the false belief it was stabilising the continent. However, the problem in the EU as it stands is now greater than the initial proposed solution. As a result, America has found it necessary to 'go it alone' over global issues such as the Kyoto Protocol and the Anti-Ballistic Missile Treaty. The EU has supported and developed these initiatives, which are now detrimental to US interests.

America's obsession with the need to perpetuate the myth that EU integration is a positive development has meant the US has ended up supporting EU initiatives – such as the EU3's failed negotiations with Iran – which inevitably end up with the US bailing the EU out. Kagan praises the qualities that make up the European strategic culture: *"the emphasis on negotiation, diplomacy and commercial ties, on international law over the use of force, on seduction over coercion, on multilateralism over unilateralism."*[12] He even goes so far as to state that it is *"America's power and its willingness to exercise that power … that constitute a threat to Europe's new sense of mission."*[13] The Europeans simply do not have a cohesive sense of national interest nor the political will to deliver the fundamentals of any foreign or defence policy. The EU also gets confused by the intrusions of European Human Rights legislation into foreign affairs and basically demonstrates the fact that Huntingdon is right when he refers to the 'clash of civilisations'.

In a nutshell, Europe and America, which historically have more in common in terms of genealogical roots (and in the case of the United Kingdom common values back to *Magna Carta*), are now witnessing a cultural divergence. Kagan is right in emphasising the differences between Europe and the USA, but what is missing in his analysis is the explanation of how the institutional arrangements in each fundamentally differ. The US, like the UK, insists on democracy and accountability; the European Union, on the other hand, is intrinsically undemocratic and unaccountable. It is ironic that under the influence of Tony Blair, not to mention the Europhile commentators who favour European integration, the United States government has been persuaded to continue to promote the undemocratic, unaccountable European model, which is alien to US traditions. This model is invariably working against American interests such as over Iraq and in the foreign policy, defence and economic spheres as illustrated below.

Developments in European integration, which have been driven by the Treaties, are negatively impacting the United States in several ways:

1. As most European political leaders admit freely, the Franco-German alliance is the motor of European integration. This alliance becomes more entrenched as majority voting displaces the veto in the arena of European government decision- making, and as the countries that disagree with France and Germany are either outvoted or forced in their own (perceived) national interest to bow to such predominant neighbours.

2. EU foreign, defence, trade, economic, and energy policies depart significantly from US interests. Protectionism; intransigence at World Trade Organisation talks; negotiations with countries such as Iran, Palestine, Russia and China over issues ranging from aid to energy; support of flawed international Treaties such as Kyoto; and the EU's relentless drive towards greater political integration are all working to undermine and compromise US global interests.

3. The potential savings to the US of Europe establishing its own defence forces are outweighed by the damage that those forces – through the trade and foreign policies that they would underwrite – would inflict upon US interests, especially with regards to the North Atlantic Treaty Organization.

4. The US-UK special relationship is being seriously affected by integrationist projects. Britain has good reason to repudiate projects such as the Single European Currency, a Common European Foreign and Security Policy, or from ratifying the EU Constitutional Treaty – all of which have in any case failed – to protect this relationship.

3 - Anti-Americanism

Despite America's past contribution to European democracy and security, anti-Americanism remains short-sighted and ungrateful. The real problem that generates anti-Americanism in Europe is that there are real differences, which stem from a resentment of America's actual power and its conviction to get things done. The European Union on the other hand, which is increasingly weak willed and vacillating, postures without results.

Unfortunately, there is a failure by leading US commentators to grapple with reality, as discussed above; there is a tendency to support European culture rather than US determination. This is not to say that America is always right, but that the EU is invariably weak. This will not be improved by further European integration. Integration and, for example, the EU Constitution will simply exacerbate the internal contradictions within the European legal framework and the compression chamber will eventually implode.

Anti-Americanism is not an abstract sentiment. According to the 2005 Pew Global Attitudes poll, "*Even though the image of the United States has improved slightly in some parts of the world over the past year, this country's global approval ratings trail well behind those of other leading nations.*"[14] The US favourability rating was 55 per cent or below in Great Britain, France, Germany, Spain and the Netherlands.[15]

When respondents of the Pew poll were asked whether their negative view on America was due to President Bush in particular or just America in general, the overwhelming majority in Europe voted for the former. For instance, 76 per cent of Spaniards, 65 per cent of Germans and 63 per cent of French placed blame on the President; only 14 per cent of Spaniards blamed America in general.[16]

In a recent article in The *European Journal,* Jeremy Bradshaw investigates the factors behind this rise in anti-American sentiment amongst Europeans.[17] Bradshaw believes contempt for democracy, cultural racism and resentment of America's economic prowess lie at the heart of European anti-Americanism. Another main factor is much more simple – anti-Americanism has become dangerously fashionable in Europe. 'Sam-bashing' is now chic and everyone from the media, politicians and intellectuals right down to the man on the street are partaking.

President George W. Bush has been demonised by his critics. He has been depicted as a 'typical Texan cowboy', quick to use the trigger, ignorant of the outside world, a unilateralist with no interest in the consequences of his actions for Europe or the rest of the world. This anti-Bushism has led unequivocally to the rise in anti-Americanism, particularly on the European continent.

Whilst anti-Bushism may help explain this latest bout of anti-Americanism, it would be unfair to place the blame on the President. The burden must be shared with the Europeans, many of whom have harboured a longstanding (if not at times conveniently concealed) jealously of their so-called 'friend' across the pond.

Three major policy areas – the Kyoto Protocol, the Iraq War and the need for an EU Constitution – highlight the extent to which anti-American sentiment has been popularised in the EU. The US must understand that anti-Americanism is no longer an abstract idea, but one that is beginning to significantly influence policy-making within the European Union.

The Kyoto Protocol[18]

The European Union is one of the foremost advocates of the Kyoto Protocol on global warming. President Bush has fallen victim to constant criticism over his decision not to send the Kyoto Protocol to the US Senate for ratification. However, this is not the first time Washington has shown reluctance over the Treaty. Bill Clinton, President when Kyoto was negotiated, hailed it as a "*huge first step*" in the effort to combat global warming and former Vice-President Al Gore, who was often the Clinton administration's point person on environmental affairs, signed the Treaty in November 1998. Nonetheless, this was a purely symbolic gesture; it quickly became apparent that the Clinton administration was not prepared to implement Kyoto's stipulations. Gore subsequently declared, *"As we said from the very beginning, we will not submit this agreement for ratification until key developing nations participate in this effort… This is a global problem that will require a global solution."*[19] Gore, of course, was primarily referring to developing giants India and China.

President Bush later reiterated the Clinton administration's sentiments:

"*This is a challenge that requires a 100 per cent effort; ours, and the rest of the world's. The world's second largest emitter of greenhouse gases is China. Yet China was entirely exempted from the requirements of the Kyoto Protocol. India and Germany are among the top emitters. Yet India was also exempt from Kyoto… America's unwillingness to embrace a flawed treaty should not be read by our friends and allies as any abdication of responsibility.*"[20]

EU leaders have been able to overlook the fact that Australia also refused to ratify the Protocol, but they have not been able to extend such magnanimity to the US. Bush's critics are disinclined to admit that the US might actually be correct in its support for alternative environmental policies, such as the Asia Pacific Partnership on Clean Development and Climate, which include developing nations. Nor have they made much of the fact that many individual states, such as California, and local administrations in cities and towns across America have pledged to institute Kyoto-style limits on greenhouse gas emissions on their own accord.

Iraq War and its Consequences

The US and the EU failed to reach an agreement or compromise over the decision to go to war against Iraq. Philip H. Gordon from the Industrial College of the Armed Forces at the National Defence University argues that France has long opposed a bi-polar or even unipolar world and saw the Iraq War as a way in which Europe could play a key global role, with France at the centre.[21] French President Jacques Chirac actively moved to take leadership of a vast coalition within the EU to counterbalance the US. Chirac provided a cover for many countries that would otherwise have not stood up to President Bush and in this way made a second UN resolution impossible. Speaking at an emergency EU summit on Iraq in 2003, Chirac gave his opinion of those prospective EU members who had supported the war:

"*These countries are very rude and rather reckless of the danger of aligning themselves too quickly with the Americans. If they wanted to diminish their chances of joining the EU, they couldn't have chosen a better way.*"[22]

In the world of *realpolitik,* the fact that there has been an attempt both by President Chirac and German Chancellor Angela Merkel to patch up differences over Iraq should not be seen to have fundamentally changed the strategic differences that exist.

Hostility over the issue still remains. During the recent 'Sound of

Europe' conference held in Salzburg in January 2006, left-wing Swiss–German newspaper editor, Roger de Weck, invited the President of Latvia to agree that the new Member States posed a danger to EU unity, as they were too pro-American. The Latvian President, Vaira Vike–Freiberga, in turn declined to agree and instead delivered an impressive speech berating current Old Europe-New Europe divisions over the Iraq war:

"I am amazed by the speed with which Europe has forgotten that it was rescued during World War Two when America entered the fight. The contribution of the trans-Atlantic link to European security is something that Europeans have long taken for granted… The trans-Atlantic link is intrinsic … the idea that we have somehow two systems that are inimical, I find extraordinarily strange."[23]

Following an article in the *New York Times*, which claimed secret CIA camps existed in Europe, the European Parliament decided to launch its own 46-Member inquiry into *"the alleged illegal transfer of detainees and the suspected existence of secret CIA detention facilities in the European Union and candidate countries."*[24] The Vice-Chairman of the Committee, Baroness Sarah Ludford MEP (who is a Europhile Liberal Democrat), recently urged senior US officials to face hearings in the EU and called specifically on Vice-President Dick Cheney to testify before EU officials. A member of the Committee, British MEP Roger Helmer, who also sits on the European Foundation's Advisory Board, believes that the main purpose of the Committee is to give the *"strong anti-American sentiments in parts of the European Parliament a stick with which to beat the US."*[25] Speaking to the press, Mr Helmer argued:

"I am sure that Dick Cheney will treat Ludford's remarks with the contempt they deserve. This Committee is likely to show [the European] *Parliament's strong anti-American tendency in a poor light."*[26]

The EU Constitution

A number of EU leaders justify the need for a Constitution in anti-American terms. The Prime Minister of Luxembourg, Jean-Claude Juncker, openly stated in April 2005 that the Constitution would not be stopped if a country voted against it in a referendum, as the rejection of the Constitution would serve to increase America's global power. This view is widespread among the EU's most vociferous supporters, particularly in France, Belgium and Germany.[27]

4 - Franco–German Motor Driving Integration

The new German Chancellor, Angela Merkel, is talking one language with America and another with Jacques Chirac. Merkel's election will not change the basis of the German–US relationship, as established under Gerhard Schröder. Indeed, Merkel has reiterated the traditional German view that the EU must revolve around a Franco-German axis. In Merkel's own words, *"Germany and France, with their notions about the social market economy and globalisation, should be driving forces."*[28] It is essential to note that, irrespective of the diplomatic words by Angela Merkel on her recent visit to the US in January of this year, there are serious strategic differences between the coalition in Germany, which includes the Social Democrats in critical posts in the German administration, and the United States. Merkel's repeated pledge to prioritise reviving the Constitution when Germany takes over the EU rotating presidency in January 2007 demonstrates her commitment to greater political integration with the ultimate aim of a federal Europe.

The US should take warning from problems thrown up by the previous Schröder-Chirac alliance – one which made it virtually impossible for the US to build support for the Iraq War. Although on the outside Merkel claims to support America's continued efforts in Iraq, Germany's recent decision to release convicted terrorist Mohammad Ali Hammadi to Lebanon raises serious questions about Germany's commitments to the war on terror. Whilst Merkel's relationship with Chirac may not be as intimate as Schröder's, those in the US should not expect a sudden rapprochement between America and Germany either.

For years, leading EU politicians have attacked the US. In 1997, former German Chancellor Helmut Schmidt made clear the motivation in Berlin and Paris behind European integration: to create a superpower capable of challenging the United States. Schmidt stated,

"*[The] European Union will have the political, economic, and financial weight to exert an influence on global affairs equal to that of the superpowers. This perception is gaining ground among the leaders of the EU, and it provides an additional strategic motivation for European integration.*" [29]

It was only natural that during the Cold War West Germany maintained a close relationship with the US, since Germany's security ultimately rested more on the US than on its European allies. Because of this basic strategic reality, consecutive French leaders have never succeeded in enticing Germany away from the US entirely. However, Chancellor Schmidt showed his support for the Franco–German alliance when he stated,

"*[Post-Cold War] Germany will remain part of the [NATO] alliance, but European integration – further development of the EU and close co-operation with France – is increasingly important. The US must understand that in the next century Germany will not automatically take its side in disputes between Washington and Paris.*" [30]

Following the end of the Cold War, Germany realised that political power within the EU could only be gained by forging a strong alliance with France at the expense of the UK and US. In return for the political weight that Germany then gained from French support, Germany had to be willing to accept France's dislike of the US. Former German Chancellor, Helmut Kohl, realised that the only way to influence decision-making in the EU was to take this path.

The Nice Treaty – which came into force in 2003 – only served to strengthen Germany's ability to push the EU in the direction it favours, and represented a fundamental, but largely overlooked, geopolitical shift in the balance of power and in the 'tectonic plates' of Europe. The controversy surrounding the ratification of Nice only serves to prove this. Small states quickly realised they would be the main losers under Nice. Ireland – which was the only country where a referendum on the issue was held – rejected the Treaty in 2001. It is highly likely that had other small states been allowed the choice, they also would have rejected it. This is due to the influence that larger countries, especially Germany, gained from the new system of double majority voting which was introduced at Nice. Double majority voting introduced a new clause stating that if a

Member State was unhappy with the outcome of a vote in the Council of Ministers taken under Qualified Majority, it could request a further vote to ensure the Council decision represented at least 62 per cent of the population of the Union as a whole. Whilst this was intended to act as a safeguard for states with small populations, it actually increased the power of Germany, as it means that Germany and two other large countries such as France and Italy, are able to block anything they like. Smaller states, in contrast need a greater alliance of states to produce the same result and even Britain needs the support of more than two countries to oppose undesirable decisions. In this sense, commentators were right to call former German Chancellor Gerhard Schröder, the 'victor of Nice'.

A broader point on the voting issue is that as the EU develops, federalising reforms and the development of enhanced cooperation (where a subset of EU Member States can forge ahead with integration) will ensure that fewer and fewer of its decisions require unanimity among its Member States. The whole structure of regionalisation policy, with grants, subsidies and financial inducement, encourages deeper dependence on the undemocratic and unaccountable institutional structure of the European Union. This will ironically generate greater instability than the money transfers between Old and New Europe might suggest. The situation is compounded by the monumental irregularities and fraud demonstrated by the Court of Auditors report which amounts to no less than €613,808,438.[31]

5 - Threat to Free trade

The current wave of protectionism engulfing Europe demonstrates that the EU has objectives and assumptions that it insists on delivering through the Court of Justice and through Commission-led initiatives such as the Stability and Growth Pact. These measures do not work, and when they do not work, the European framework implodes and the rule of law is ignored. Nothing could be less satisfactory for stability, order and accountability. The fact is that the EU is trying to force-feed countries to do things they simply aren't prepared to do. This is proving to be a huge source of internal instability, which is bad for US investment.

In light of the huge economic advances of countries such as India and China, it is more crucial than ever to ensure the continued liberalisation of international trade. This is especially true of US-EU trade, given the importance of America's investment and commercial flows with Europe. The EU and the US are leading players in international world trade; they are each other's single largest trading partner in goods and services and each other's most important source and destination for foreign direct investment.

In 2004, EU imports of goods and services from the US totalled $288 billion, or 24.9 per cent of total US exports. EU exports of goods and services to the US were $391 billion, or 22.2 per cent of total US imports.[32] In the other direction, US imports from the EU totalled 15.3 per cent of total EU exports and US exports to the EU were 24.2 per cent of total EU imports.[33] In addition, EU direct investment into the US was $48.2 billion and US direct investment into the EU totalled $83.8 billion.[34]

The transatlantic economic relationship is of vital importance for the United Kingdom in particular. In 2004-2005, the UK recorded its highest ever number of inward investment projects. This figure stood at 1006, a 31 per cent rise from the 2003 to 2004 period. The US comprised the greatest share of investment with 466 projects, making it the largest investor in the UK. There are now around 14,000 American investors in the UK.[35] It is clear from these figures that the UK and the US share an enormous mutual trade partnership – one that should not and cannot be jeopardised.

EU protectionism

EU protectionism is part of a wider problem of the European landscape, namely the failure of the European economic project, which includes the Lisbon Agenda. Far from achieving its objectives, the Agenda is characterised by low wages, low growth and high unemployment in the eurozone, two issues that played a primary role in the rejection of the European Constitution. The fact is that the European economic policies do not work.

At this moment in time, Europe is facing the worst instance of economic nationalism since 1914. An intense fear of globalisation is impacting most decisions in Europe, to the extent that the much-vaunted European Single Market is being rapidly undermined by countries such as France and Spain, who are desperate to shield their national markets from foreign competition. Over recent months, both France and Spain have moved to protect national energy companies from high-profile takeover bids by other EU-based businesses. The Commission has written to France asking for an explanation of the government's role in merging Gaz de France with Suez, the Franco–Belgian power and water company, as the French government blocked the takeover of Suez by Italian rival Enel. Spain is also being examined over its attempts to halt the takeover of national energy company Endesa by rival E.On of Germany, who have formally asked the Commission to approve its bid of the Spanish company. Brussels is preparing to file a case against Poland for demanding that Italian bank, UniCredit, divest the Polish holdings of its recently acquired subsidiary, HVB Group of Germany.

A further example of the rising tide of protectionism can be seen in the numerous examples of anti-dumping measures that are being imposed against countries such as China, Vietnam, Thailand and Malaysia. This came to light in July 2005 when the EU Trade Commissioner Peter Mandelson became embroiled in 'bra-wars' with China after slapping tariffs and quotas onto levels of EU imports of Chinese textiles. Following this came the 'shoe-wars' in February 2006 and the 'plastic-bag' wars and 'furniture-wars' that engulf the EU today. Once again, it is being left to EU officials to decide whether to impose anti-dumping duties on leather shoes made in China and Vietnam, plastic bags made in Thailand and Malaysia and furniture from China.

Economically destructive EU interventionism takes many other forms. Consider, for instance, the following:

• Foreign firms (even other EU firms) are forbidden from running certain companies and even whole classes of companies within many EU Member States. France, for example, bans foreigners from running "*strategic companies*" – a category including all of her major banks.[36] In Belgium, national law requires that cranes used on construction sites must be inspected every three months by the local *Control Technique* and companies based in other Member States cannot operate without having their machinery inspected locally. In Portugal, building permits cannot be granted to companies which are not registered in Portugal and foreign companies wishing to obtain a building permit are forced to hire a

Portuguese engineer with Portuguese certification.[37] However, when push comes to shove it is clear that the EU will give way to a common interest as opposed to a US one. For example, US PepsiCo was blocked from acquiring French *Orangina* by France, but was eventually sold to the British group *Cadbury Schwepps* in September 2001.

• Talks aimed at creating an EU-NAFTA trade deal collapsed due to French fears of 'US dumping'. France remains hostile to such a deal ever being concluded. The US continues to see the unparalleled benefits of such a deal evidenced by the resolution submitted to Congress in April 2005 by Congressman David Dreier of California, *"expressing the sense of Congress relating to a free trade agreement between the United States and the European Union."*[38]

• Rampant EU protectionism comes cloaked as trading standards regulations. One of numerous such examples includes the EU ban on US hormone treated beef. The EU also organised the opposition of 166 countries to the US-led Miami Group of grain producers.

• From 1998 to 2004 the EU Commission imposed a ban on certain genetically modified crops, including corn, soy and cotton, on scientific grounds that it was unclear whether GMOs harmed human health. The EU said it needed the block to allow it to gather data and find out how best to update GMO rules. Although the ban was lifted in 2004, a number of Member States including Greece, Austria, France, Italy and Luxembourg continue to ban GMOs as a 2001 EU law provides for case by case approval for the release of individual GMO products into the EU's Common Market. Decisions are reached on the basis of safety checks by national authorities and the European Food Standards Agency; the Commission then rules on which GMOs can be imported on the basis of these recommendations. This flawed system allows the EU to legislate against any GMOs they choose, as recommendations are from internal sources. In February 2006, the World Trade Oragnization (WTO) was forced to intervene in the matter following complaints from the US that they were being discriminated against. The US produces almost half of the world's GMO products and has huge corporate interests through companies such as Monsanto and Dow Chemical. It would seem that US scepticism is justified as earlier in 2006, in a typical show of defiance, the Commission stated that in spite of a highly critical report by the WTO, its policy on GMOs will remain unchanged.[39]

Legal and regulatory burdens on business

Excessive levels of legal and regulatory burdens within the EU work against both European and American interests. The advantages of America trading in Europe, particularly in light of the new opportunities in China and India, are lessened to an even greater extent by social legislation, which permeates the European economic environment. Numerous examples of how this is occurring are put forth in a pamphlet I co-authored with Bill Jamieson, *The Strangulation of Britain and British Business: Europe in our daily lives.*[40] For example, the Working Time Directive regulates the maximum hours employees are allowed to work and creates new employees' rights. The UK's Data Protection Act, based on the Data Protection Directive, subjects businesses and employees to fines if rules on data protection are breached; the UK's Employment Act of 2002 provides for rights such as 26 weeks of paid maternity leave, increased payments and two weeks of paid paternity leave.[41]

At the time of writing, thousands of students are rioting in France, protesting against regulations that would allow employers to sack workers under the age of 26 in their first two years of employment without giving a reason. In an article in *The Sunday Times*, former Chief Economist at the US Department of Labour, Diana Furchtgott-Roth, argues that, "*What they* [French protestors] *don't seem to realise is that additional labour market flexibility would actually help young people, who now have an unemployment rate of 22 per cent, to get a job.*"[42] Furchtgott goes on to criticise measures – favoured by countries such as France, Germany and Italy – to reduce economic inequality, such as the elimination of low-wage jobs through unemployment benefits. By taking measures such as this, EU Member States are attempting to undo the effects of the EU's legal and regulatory burdens. The problem is they can't get rid of it except by repealing EU legislation. People simply don't understand this. The pivotal reason why the European economy has low growth/high unemployment is that the EU prevents countries from repealing damaging legislation.

The EU's irrational 'competition policy'

Increasingly, the EU is using the cloak of anti-trust activity as a way of implementing an anti-US industrial policy.

The current dispute between Microsoft and the EU Commission has been dragging on since 1998. In March 2004 the Commission concluded, *"Microsoft Corporation broke European Union competition law by leveraging its near monopoly in the market for PC operating systems onto the market for work group server operating systems for media players."*[43] The Commission demanded that Microsoft, among other things, disclose complete and accurate interface documentation which would allow non-Microsoft servers to gain full inter-operability with Windows PCs and servers. Unsurprisingly, Microsoft's appeal to the EU's Court of First Instance was rejected in December 2004, following further requirements in November 2005 for Microsoft to comply with the Commission's demands, with the extra prospect of a €2 million daily fine until they agreed to do so.

In January 2006, Microsoft went a step further and announced the decision to license all the Microsoft Windows Server source code for the technologies covered by the Commission's decision of March 2004. Microsoft stated cynically, "*We have now come to the conclusion that the only way to be certain of satisfying the Commission's demands is to go beyond the 2004 decision and offer a license to the source code of the Windows operating system.*"[44] Furthermore, it is now apparent that the Commission, for all its grand claims, failed to read the 75-page report (which Microsoft wrote at the behest of the Commission) in its haste to attack Microsoft's compliance. This is in spite of the fact that the report has been analysed by two independent expert software engineers in Germany and the UK, both of whom agree *"that the current operability information as provided by Microsoft meets current industry standards, particularly in such a complex domain."*[45] In reply to this, the Commission petulantly retorted with, *"It is of course the European Commission that will decide whether Microsoft is compliant with the March 2004 decision, and not Microsoft."*[46] The hypocrisy on behalf of the Commission is staggering here. They made huge demands upon Microsoft, which Microsoft then not only met but bettered; in return the Commission ignored key information and denied Microsoft due process in defending itself.[47]

This case should act as a clear message to those in the US with significant business interests in the EU. The Commission will regulate on any such case where large foreign corporate involvement looks set to threaten or undermine EU interests. For

example, although the recent Mittal Steel takeover bid for Arcelor does not concern the US directly, the US should take note of various reactions to the €18.6 billion hostile takeover bid by oil tycoon billionaire, Lakshmi Mittal. Luxembourg's government in particular pledged to position its 5.6 per cent share in Arcelor against Mittal's offer. Jean-Claude Juncker, Luxembourg's Prime Minister, has also called for new legislation to be implemented, which will protect domestic companies from foreign takeovers.[48] Of greater concern, Europe's leading business lobby group has claimed the Mittal case demonstrates the need for stronger EU political leadership to oversee such takeover bids. UNICE, which represents over 20 million businesses, cited the Constitutional Treaty as something that would have *"strengthened governance at European level."*[49] This is exactly the kind of development the US needs to prevent at all costs. The EU Commission is highly biased against foreign competition already, but with greater political involvement in corporate takeover battles, the US will find its interests increasingly legislated against.

It is generally believed that the General Electric–Honeywell case in 2001 was a landmark ruling on the part of the Commission, which set in stone the EU's defensive attitude towards competition, as it stands today. In July 2001 the EU Commission vetoed the General Electric–Honeywell merger on the basis that the new group would enjoy a dominant position in the EU. The move was supposed to be the crowning deal for GE's CEO, Jack Welch, who postponed his retirement to oversee the merger. According to John Grimley,

"Welch's experience highlights the Byzantine nature of the EU regulatory process and the need for American business people to understand the grave dangers they face when dealing with the EU."[50]

When analysing later anti-trust examples, it becomes clear that the GE–Honeywell ruling clearly influenced future actions on EU merger regulations, as the Commission's decision marked the first time the EU killed a merger which had already been approved by Washington. Immediately following GE–Honeywell came the $1.53 billion Tetra Laval SA merger, which was the fifth to be axed during 2001, if one includes GE-Honeywell. The others were on 31 January between SCA and Metsa Tissue, two Nordic paper manufacturers; 10 October between Schneider Electric SA and Legrand SA, two French makers of electrical equipment; and 17 October between CVC Capital Partners Group, a British buyout firm, and German fibre-maker Lenzig AG. *"The EU blocked only 13 mergers in the previous decade, and the unprecedented burst of activity has drawn increasing criticism from some business leaders,"* says Grimley, an American citizen and European Foundation Advisory Board Member who advises US companies on the growing risks of mergers and acquisitions in London.

Services Directive

The Directive on Services in the Internal Market was a key opportunity for the EU to embrace competitiveness by enforcing ideas such as the 'Country of Origin' principle. However, by the time the Bill passed through the European Parliament in February of this year, it had been so watered down with amendments that rather than opening up the EU's internal markets as intended, it will actually do more harm to businesses by creating even greater burdensome legislation. As the Director General of the Confederation of Swedish Enterprise, Urban Bäckström, argued,

"The purpose of the EU Services Directive is to overcome lasting and unjustified obstacles. Protectionist measures…are not compatible with the internal market, competitiveness, growth and the creation of sustainable jobs."[51]

British interests in particular have been severely compromised by the ratification of the Services Directive. One needs to question why the British Conservative Party was unable to have a greater impact over the final outcome of the vote. As long as Conservative MEPs continue to be trapped in the European People's Party (EPP), they will be unable to influence the 'Old Europe' leadership of the group. Indeed, it was a British Conservative MEP, Malcolm Harbour, who was appointed Shadow Rapporteur to oversee the Directive through the Committee Stage, but Harbour was forced to compromise his pro-market views due to 'Old Europe's' influence within the EPP. British Conservative MEP Chris Heaton-Harris described the ludicrous situation thus: *"We Conservatives had a "key position" but had to give up influence because of it."*[52] Only by pulling out of the EPP and forming a new group in the European Parliament can Britain hope to release itself from what is essentially a group dominated by German Christian Democrats. This would put Britain in a much more advantageous position in relation to aiding American interests in Europe.

6 - Threat to World Economic Order

World Trade Organization – Doha Round

The Doha Round of World Trade Organization negotiations aims to lower barriers to trade around the world, with a focus on liberalising trade for developing countries. Talks have hung over divides between rich, developed countries and major developing countries. Agricultural protectionism on the part of the EU has proved the most significant issue upon which agreement has been hardest to negotiate. The EU's intransigence was seen most clearly and recently at the sixth round of the talks held in Hong Kong in December 2005.

Agriculture is certainly the most sensitive issue in the Doha Round – the economic mainstay for many developing countries – and the EU has found itself isolated and criticised by its trading partners over its Common Agricultural Policy (CAP), which heavily subsidises EU farmers at the expense of the developing world.

Prior to the Hong Kong meeting, the US showed admirable initiative in October when it declared it was *"ready to eliminate all tariffs, subsidies and other barriers to free flow of goods and services as others do the same."* Ronald Stewart-Brown, Director of the Trade Policy Research Centre, analysed Washington's proposals in the *European Journal.* Under the proposals, the sensitive product loophole would be limited to 1 per cent of total dutiable tariff lines, compared to the EU's 8 per cent; the US would reduce its Amber Box ceiling – the most trade-distorting category of domestic support – by 60 per cent provided the EU reduced its much higher Amber Box ceiling by 83 per cent; the Blue Box cap – which covers direct payments to farmers to limit production – would be reduced to 2.5 per cent of agricultural production value. Total trade distorting support would be reduced by 53 per cent for the US and 75 per cent for the EU.[53] Although these proposals appear to be kinder to the US, when accounting for current ceilings the EU

would have higher final proposed ceilings than the US.

The EU's proposals were positively lame in comparison. It argued that the limited CAP reforms implemented in 2002 actually represent a 70 per cent reduction in its aggregate Amber and Blue Box spending and refused to accept the principle as agreed by all other parties that sensitive product tariff-quotas should be related to EU domestic consumption. Stewart–Brown describes the situation thus:

"One country only stood in the way of substantial progress at Hong Kong. The monolithic intransigence of the EU's negotiating team under Trade Commissioner Peter Mandelson and Agriculture Commissioner Mariann Fischer Boel on the key issue of agriculture was awe inspiring."[54]

Those in the US should be drawn to the importance of one single word from the above quotation – *"country"*. Stewart–Brown clearly explains why he refers to the EU as a country here, as he notes, *"by comparison with Seattle and Cancun, the EU at Hong Kong was placing striking new emphasis on presenting a single unitary face to the rest of the world."*[55]Those who have supported political integration of the EU now have clear and irrefutable evidence of the damage it has had, and will continue to have, on US interests. Individual Member States are unable to act unilaterally within the negotiations and suffered embarrassment at the EU's irrationality and selfishness, or in the case of Germany and France, pride at its obstinacy. As the French press reported following the meeting, the way the Europeans acted at Hong Kong was a *"triumph of unity and reason"* that reflected *"a very good working out of the French and German couple."*[56] The US in return is reduced to frustration and incomprehension as to why the EU refuses to accept their proposals. The greater its integration, the more confident the EU becomes in refusing others in order to bolster its self-interests.

International Aid

The EU also showed alarming inflexibility over its distortion of food aid issues at the Doha Round. The food aid issue has become central to trade negotiations, as food producers in developing countries believe that the CAP prevents developing countries from competing in world markets. According to Andrew Natsios, administrator of the US Agency for International Development, since 1995 EU food aid has plummeted from about 4 million metric tonnes annually to 1.5 million. This is in contrast to the US contribution, which has remained at 4 million metric tonnes.[57] The EU's practice of using cash to make purchases in regional markets also drives international prices up, which has the potential to impoverish developing countries further. In a recent speech, US Treasury Secretary John Snow argued that, *"Trade liberalisation is essential to enhancing global growth and poverty reduction, and we cannot allow that to fail."*[58]

However, Mr Snow and other US leaders must understand the protectionist mindset of the EU, which is doing so much to distort world economic orders. At the St George's House Annual Review, Professor Timothy Garton-Ash analysed the European contribution to international social justice. Garton-Ash used Oxfam's *Double Standards Index* (the EU is top of this list due to its trade interventions and agricultural subsidies) to demonstrate the extent of the EU's attitude to trade and aid: "*In 2000, the average EU subsidy to the average EU cow was $913; what we gave in aid for each human being in sub-Saharan Africa was $8 per head. $913 for a cow, $8 for an African person.*"[59] It is time for the US to ask itself whether it wants to continue supporting an integrationist programme which has produced such skewed attitudes.

Pensions and Health Care Crisis

A recent report by the Economic Policy Committee and European Commission on the EU's pension provisions exposed the full extent of the current pensions crisis within the EU. The report analysed age-related expenditure projections covering pensions, healthcare, education and unemployment transfers for the 25 Member States (EU25) for the period 2005 to 2050.[60] The report concluded that the fiscal impact of ageing would be substantial in all Member States, with effects accelerating as of 2010, when the post-war 'baby boom' generation are forecast to go into retirement. The main premise of the report was that the annual potential growth rate for the EU25 would fall steadily over the next 40 years due to a reduced working population in proportion to the percentage of retired workers, which in turn will lead to increased spending in public pensions and public health care expenditure.

The key findings of the report can be summarised thus:

• Europe's population will be older in 2050, with a much smaller working age population. This is due to fertility rates remaining below the natural replacement rate and continuous increases in life expectancy. The working age population (15 to 64) is projected to drop by 16 per cent from 2005 to 2050, but the retirement population aged 65+ will rise by a massive 77 per cent. Europe will go from having four to only two persons of working age for every elderly citizen.

• Potential GDP will decline due to decreased numbers of employed persons. For the original 15 Member States (EU15), the annual average potential GDP growth rate will fall from 2.2 per cent in the period 2004 to 2010; 1.8 per cent in the period 2011 to 2030; and 1.3 per cent in the period 2031 to 2050. For the ten new Member States (EU10), the forecast is worse, with GDP falling from 4.3 per cent in 2004 to 2010; 3 per cent in 2011 to 2030; and to just 0.9 per cent from 2031 to 2050.

• Public spending on pensions will rise significantly. Only one in five Member States will decrease levels of public spending due to recently implemented pension reforms. In nine Member States the increase is predicted to be over five percentage points of GDP.

• Ageing populations will also lead to increased public spending on healthcare, which on average, are expected to rise by some 1.5 per cent of GDP by 2050. EU10 countries may face a particular challenge in managing their health care systems given their low level expenditure on health care.[61]

The large projected increases in public expenditure due to pensions and healthcare call into question the financial sustainability of pension systems in the EU, as well as the long-term economic stability of the EU – especially the eurozone. Former Dutch EU Commissioner, Fritz Bolkestein, recently claimed that the pressures of ageing would put severe strain on public finances and the euro over the next ten years. Mr Bolkestein said, *"In my view the long-term chances of survival of the euro should be questioned."*[62] It is also unclear as to how Member States will manage increasing levels of public expenditure without borrowing and so increasing their budget deficits, thereby breaching the Stability and Growth Pact.

The Times analysed the extent of the crisis in the UK and concluded the cost of the government's underfunded liabilities for state workers' pensions is almost £1,000 billion, nearly double the official estimate, which stood at £530 billion in March 2005.[63] The situation in the UK and EU mirrors that in the US, as discussed by Peter G. Peterson in *Will America Grow Up Before It Grows Old? How the Coming Social Security Crisis Threatens You, Your Family, and*

Your Country. Peterson analyses the looming fiscal crisis that he believes faces the United States in the first half of this century when the baby-boom generation retires, leaving only the much smaller baby-bust generation at work to keep the country's Social Security coffers full.[64] Peterson predicts that by 2040 the average worker will hand over 35 to 55 per cent of each paycheque for Social Security and Medicare, compared with 17 per cent in 1995.

Implications for America

American corporations are hugely exposed through their investments in Europe, and, as this paper has demonstrated, this is especially the case with the United Kingdom. Most European countries are running huge public schemes that will eventually implode or have to be dismantled some way or another. The United States will be hit in at least two related ways:

- Huge tax rises will cripple the EU economy, in the process slashing the value of US investments, negatively impacting exports and leading to a global economic slowdown.
- The EU may try to compel Britain to bail out its social security system, jeopardising the UK's current economic success. This would almost certainly force British firms to engage in a huge sell off of their American assets and a large scaling back of their investments in the country, at an important cost in terms of American jobs.

7 - Internal Contradictions

The European Union is rife with numerous inherent internal tensions – social, economic and political – which completely undermine key US beliefs in democracy and accountability.

The Euro

Chief among the EU's economic tensions are the problems associated with the European Single Currency – the euro – which was launched on 1 January 2002. The problem is that to integrate an economy effectively one must insulate it against economic shocks. Economists agree that such insulation comes in the form of one or more of the following:

- Exchange rate flexibility;
- Wage and price flexibility;
- Interest rate flexibility;
- Labour mobility;
- Fiscal transfers from the centre to disadvantaged regions; and
- Political Union.

As Willard Butcher, former CEO of Chase Manhattan Bank, observed, members of the European Single Currency share single rates of exchange and interest, little labour mobility, and stifling wage and price regulation.[65] Members of the eurozone therefore, writes Butcher, enjoy very little insulation against economic shock, unlike the states of the USA. Without such insulation, the eurozone must instead rely only on fiscal transfers at the federal level to iron out economic imbalances between them.

Yet, at the present time, fiscal transfers within the EU are dangerously low. To insulate against economic shock, fiscal transfers would have to rise well above that spent in the US if it is to compensate for the lack of alternate factors such as labour mobility and wage/price flexibility. The result will be a European government spending unfeasibly large amounts of its citizens' money in an attempt to paper over the cracks between its component economies. This is a typical example of how arguments for integration produce opposite results.

Stability and Growth Pact

The Stability and Growth Pact (SGP) – which was set up in 1997 to enforce budgetary discipline in the eurozone countries – rules that budget deficits should be below 3 per cent of nations' annual GDP and that national debt must be limited to 60 per cent of GDP. Failure to observe this is supposed to lead to the imposition of sanctions by the Commission on errant Member States. Portugal breached the pact as early as 2000, France and Germany followed suite in 2002, Greece in 2004 and most recently Italy in 2005. However, when push comes to shove sanctions have not followed, and countries such as France have retaliated defensively against criticism. When challenged about France's rising deficit, Former Prime Minister, Jean-Pierre Raffarin, retorted that his job was to *"fight unemployment"* not *"to produce accounting equations … so that some office or other in some country or other is satisfied."*[66]

Former European Commissioner Lord Dahrendorf described the situation thus:

"Just look at the German public debt in relation to the Stability Pact and common currency. No one would dream of applying the pact if the German government said they did not want it. That is an extreme, but telling example of how the Union is essentially understood to be an instrument of national policy in many continental countries rather than as a new authority that overrides national policy… When it does, as has been shown in recent judgements by the European Court, there is an outcry…"[67]

Undemocratic System

The European Union is systemically undemocratic and, under the existing Treaties, was intended to be so. The EU is undemocratic because not only is EU legislation exclusively put forward by the unelected Commission, but also majority voting, which covers a vast swathe of European legislation is made binding on the Member States and overrides the will of the voters in general elections in those countries. Imagine that the US was governed by the majority vote of other countries? The idea is absurd.

Author and journalist, Frederick Forsyth, discusses the issue of democratic accountability when giving evidence to the ERF in July 2005. Lord Waddington asked the question:

"What sort of root-and-branch reform do you have in mind? Would you start with the Commission which pretends to be the government of Europe, without having democratic mandate?"

To which Mr Forsyth replied,

"That is true. That is the way in which it was devised. That was the way – certainly back in 1972 – when the then Prime Minster, Mr Edward Heath, agreed to concede all the powers that was necessary. I do not think that he revealed to us quite what he was conceding."[68]

The stated aim of Jean Monnet, the chief architect of European integration, was to create government by technocrat in a continent where, he felt, politicians had failed so badly. As Monnet stated himself,

"Europe's nations should be guided towards a super state without their people understanding what is happening. This can be accomplished by successive steps each disguised as having an

economic purpose, but which will eventually and irreversibly lead to federation."[69]

Monnet, like present European leaders, presumably gave little thought to the fact that genuine democracy – that is, government by the people rather than by unelected officials – should be, but is not, the solution to, rather than the cause, of Europe's ills.

The members of one of the EU's most important institutions, the European Commission, are not only unelected, but are almost totally unaccountable to their notional counterweight, the European Parliament. Indeed, as European analyst Lindsay Jenkins argued in evidence which she gave to the ERF on democracy and accountability in the European Union:

"Unelected Commissioners and civil servants owing their allegiance not to their own nations, but to the European Union and a Parliament with extremely limited powers, which is elected by proportional representation and controlled by European Union-wide parties, exemplify the EU's aim. That aim was updated in the preamble to the Treaty of Nice as the process of ever closer union, which ends with one country and one state."[70]

Increasingly, the European elites are detaching themselves from the peoples of Europe. It is certainly not 'anti-European' to point this out and to speak out in favour of true democracy.

8 - Threat to NATO

History has a tendency to repeat itself. Experience over the past 190 years has shown that in terms of national security, Britain's strongest allies have been English-speaking nations – namely the US. More recently the North Atlantic Treaty Organization (NATO) has served as a cornerstone, providing a point of reference for the EU and the US over issues of defence and foreign policy.

The St Malo agreement made in December 1998 between Tony Blair and Jacques Chirac succeeded in tipping the balance previously set by NATO, by allowing the EU *"the capacity for autonomous action, backed by credible military forces."* In so doing, Mr Blair turned his back on the 'special relationship' with the US by allying the UK with a country that has sought to undermine NATO and US influence in Europe since the end of the Second World War. Since St Malo the EU has pursued a separate defence policy to rival that of NATO and the US. The European Defence and Security Policy (EDSP) and the European Rapid Reaction Force (EURRF) are both landmark creations. The EURRF is a transnational force managed by the EU itself as opposed to individual Member States. According to the Petersburg rules, it goes beyond the usual EU defence duties of providing humanitarian, rescue and peacekeeping and peacemaking (to include joint disarmament) operations, and now provides military advice, assistance tasks and post conflict stabilisation with the possibility to provide assistance in the fight against terrorism. In this way, the EURRF represents a full-time military command structure, entirely separate from that of NATO. Prior to George W. Bush's visit to the EU in February 2005, former German Chancellor Gerhard Schröder made no pretences about German attitudes to NATO when he said that, *"NATO is no longer the primary venue where transatlantic partners discuss and co-ordinate strategies."*[71]

Indeed, the true nature of EU defence policy has only recently become clear. Geoffrey Van Orden MEP argues in his paper, *The False Attractions of EU Defence Policy and the need to rethink NATO,* that:

"The EU defence policy adds nothing to military capabilities. It should be seen for what it is – a key part of the process of European political integration, intruding into the most sensitive areas of national sovereignty, undermining NATO and widening the gap between the US and Europe."[72]

US Attitudes

It is crucial the US realises, in the words of former Chief of the UK Defence Staff, General the Lord Guthrie of Craigiebank, that ESDP is not viewed by the EU as *"a partnership so much as a counterbalance"* to the US.[73]

Again, it is interesting here to consider Robert Kagan's thesis in *Paradise and Power* in order to understand how the relationship between the US and EU should work in terms of defence policy.[74] Kagan argues that the US has tended to conduct itself in terms of 'hard power' in foreign affairs and the EU in terms of 'soft power'. The EU3's failure to curb Iran's nuclear ambitions is a good example amongst many where the soft power approach hits the deck. As Van Orden argued in a recent article in the *Financial Times*, both NATO and the EU have their own clear but separate roles to play in crisis management – military operations should be left exclusively to NATO, but the EU can be useful in offering trade incentives, humanitarian aid and development programmes.[75] In other words, NATO and the EU can, with serious reservations, complement, not compete, with each other. This point was emphasised by the Rt Hon. Lord David Owen, co-founder and former leader of the Social Democratic Party in the UK, during oral evidence given to the ERF. He argues:

"I do want the EU to have a peacekeeping role…and the European Union has to consider different views. There is a wish for a soft role and I can live with that, as long as it does not damage NATO, but the present structures are perilously close to damaging NATO. If we had gone for the EU Constitution, we would have moved right across to damage NATO."[76]

The crucial difference between NATO and the EDSP is that whilst NATO should act as the authoritative hard power, the EU can occupy a differing position, provided it does not get in the way of decisive action where it is needed and does not appease or cave in to threats or pressure. The UK and certain other Member States do not make this mistake, but other Member States and the EU as a whole are all too prone to do so. This is a serious matter affecting vital US national interests.

In an article in *Foreign Affairs* as part of the 2000 US Presidential election campaign, Condoleezza Rice wrote, *"The United States has an interest in shaping the European defence identity – welcoming a greater European military capability as long as it is in the context of NATO."*[77] The Center for Strategic and International Studies (CSIS), an American based think tank, recently completed a yearlong study into how greater European defence integration might be achieved, based evidently on the assumption that a separate EU defence force is required. The CSIS report, *European Defence Integration*, stated: *"…integration is essential to ensure that the composite European force posture is ultimately greater than the sum of its parts. In the near term,* [Member] *States must seek out new opportunities for integration with their European partners."*[78] Although these two examples in no way speak for America as a whole, they certainly represent a wider belief of a portion of both the general public as well as those in office. The vaunted aspirations for European defence are simply not matched

by financial commitment nor on their ground combat ability.

America rightly regards Turkey as an essential strategic ally within NATO, given the crises in the Middle East. Turkey represents a bridge between East and West. However, there is an absolute determination by some not to allow Turkey to become part of the European Union. Despite the secular nature of Turkey's government and despite it having made some 700 legislative changes to its constitutional laws, the problem of economic migration, low wages and the fear of Islamic fundamentalism in Turkey has accentuated objections from the likes Giscard d'Estang and others.

In a recent meeting I had with Turkish MPs, when the question was raised as to whether a European Union of associated Member States might be a preferred option, as compared to the current integrationist project with an over-arching EU constitutional primacy enforced by the Court of Justice, it was made clear that associated status was supported. An associated status adopted by all EU Member States would make it easier for Turkey to become part of a European entity. This in itself would be an important reason for the US to encourage the European Union becoming a looser association of Member States. It would be disastrous if Turkey became effectively a European province within the EU and then reverted to a fully Islamic state governed by Sharia law, which could not co-exist with the legal framework of the EU and the European Court of Justice.

Defence Expenditure and Burden Sharing

European nations have been making drastic cuts in their defence expenditure. By devoting on average only 1.9 per cent of GDP to defence over the years 2001 to 2004, European members of NATO have been effectively 'free-riding' upon US defence expenditure. [79] In contrast to this, whilst there is not a dedicated EDSP budget within the EU general budget, spending on the EDSP has still risen significantly over the past two years and is projected to increase further in 2007. In 2005, the CFSP budget reached €62 million, and €102 million has already been set aside for 2006. It has been suggested that the CFSP budget should be increased to €300 million in 2007.

A further example of the EU's reluctance to share the defence burden with the US can been seen in the current situation in Afghanistan. Following the Laeken European Council Meeting in December 2001, an unseemly row broke out amongst EU leaders regarding future levels of contribution to NATO's mission. Whilst the then Belgian Foreign Minister, Louis Michel, declared all 15 Member States would contribute a force of 3,000 to 4,000 troops to Afghanistan, other EU figures such as former German Foreign Minster, Joschka Fischer, claimed the issue was not one for the EU, but the UN Security Council. Five years down the line, a number of Member States have been awkward in adhering to their initial pledges. When the US indicated its desire to withdraw some of its 20,000 troops based in Afghanistan and replace them with NATO's International Security Assistance Force (ISAF) in 2005, several NATO members, namely France, Germany and Spain, expressed concerns over the use of ISAF troops in combat situations. Indeed France indicated it would consider vetoing any integration of US-led forces and NATO-led forces under one command.

Procurement of Armaments and Weaponry

As a direct result of the increasing gap in defence expenditure by the US and European allies, few European armed forces are able to operate effectively alongside US forces. This is precisely the situation that leading US officials were hoping to avoid. In 2000 as part of the Presidential election campaign, Robert B. Zoellick wrote in *Foreign Affairs, "In critical areas, US allies in Europe … can share significant burdens and make major contributions. In order to fight together their forces must be interoperable."* [80]

General the Lord Guthrie raised this point when giving evidence to the ERF:

"The British were probably the only people capable of being embedded within an American force in the first Gulf War. We can just about do it now, but it is becoming harder and harder because the gap between the Americans and the Europeans is becoming greater because of their weapons systems and procurement." [81]

Indeed, it is an issue of great current concern. Europe's lack of research and technology funding has ensured that not only the EU as a whole, but individual Member States who have proven themselves US allies – such as the UK and Poland – are being forced to lower their standards. Thus they have found themselves struggling to maintain the capability to serve alongside the US military.

It is now being suggested that all EU Member States should apply 'European Preference' when procuring defence equipment. This is an absurd policy which would force countries (such as the UK, who have agreements with the US) to settle for military equipment which is not only below US standards, but more expensive to produce. It would also throw current essential joint projects such as the UK-US Joint Striker Fighter into doubt. At a recent Parliamentary Defence Committee, Mike Turner, Chief Executive of BAE Systems, implied that getting the US to share sensitive military know-how with the UK could offer more promise than collaborative research across Europe.[82] The EU's air-to-air missile, the Meteor, which is currently under construction, is costing £1.4 billion to build. The same product could have been purchased ready-made from the US for just £500 million. In a further twist, the seeker, which is at the heart of the missile, is made by the French who have total design authority and complete intellectual rights to it. The radar and logic system is also made by the French. The motor, which is a unique design, is made by the Germans, who have total design control over it.[83]

The US should also be wary of the EU's global satellite navigations system, Galileo, which has been set up by the EU as an alternative to the US Global Positioning System (GPS). The EU's official stance is that Galileo is intended for civilian use only. However, Michele Alliot-Marie, the French Foreign Defence Minister, has openly stated the EU intends to use Galileo for military purposes. China has poured large amounts of funding into the system. Dr Richard North strongly believes this is further evidence Galileo could and will be used for military purposes. He argues, "*why would China spend €400 million on the system when it is free to use the American Navstar System if it did not intend it to have a military application?*"[84] As the EU's relationship with China grows stronger, the threat of potential technology leakage from the EU to China will increase. It will thus become more problematic for the US to share information with its strategic European allies. This has serious implications for the US–UK relationship, as North predicts this will lead to *"the problems of US–UK cooperation … being exacerbated further."*[85]

The EDSP is merely another piece in the jigsaw of a United States of Europe. The clear ambition of European federalists, namely in France and Germany, is for the EU as a whole – rather than

individual Member States – to become a single partner of the US within the NATO alliance. As long as the US not only supports, but actively promotes EU integration, they will lose their key allies in Europe. Had the EU Constitution been ratified prior to the outbreak of war in Iraq, America's allies in Europe would have been completely hamstrung and it would have been impossible for the UK to support the US in its actions. History shows the UK as America's most reliable partner; the UK is more likely to support the US than any other European country and vice versa. In supporting further EU integration, and therefore ESDP, the US is putting this partnership under pressure.

Terrorism

In today's world, domestic security can only be ensured in the context of global security. Terrorism is an international threat, which to varying degrees affects all nations. The response to terrorism must therefore be international and transatlantic cooperation is fundamental.

The UK has shown itself as a repeated ally of the US in the war against terror. This was recognised by the US in the 2004 State Department report, *Patterns of Global Terrorism*.[86] Whilst cooperation between the US, UK and the EU in this context has certainly improved since events such as the Madrid Bombings in March 2004, Washington should understand the extent to which perceptions on combating terrorism differ between the US and EU.

The EU's most recent list of official terror organisations, issued in November 2005, does not include notorious groups such as Hezbollah or even Al-Qaeda, the former on the basis of its social as well as religious programmes and the latter due to the fact it is it is a loose network of affiliates, as opposed to an organisation *per se*. Moreover, Javier Solana, the EU High Representative who was intended to be the Single Spokesman for the EU under the presently aborted Constitution admitted on a BBC programme before Yasser Arafat's death that he had secret meetings with Hamas without ostensible authority. This was a live broadcast although he subsequently attempted to backtrack and retract his comments.

Richard Haas, the former director of policy planning at the State Department, argues *"while European integration is very important…Europe cannot become overtly consumed by its internal affairs because the principal challenge to its welfare and security are outside the European continent."*[87] Mr Haas has highlighted the crux of the problem. Co-operation works best on a bilateral basis as opposed to a multilateral one. When focussing on individual country performance in *Patterns of Global Terrorism*, the State Department acknowledges:

"Efforts to combat the threat in Europe are sometimes hampered by legal protections that make it difficult to take firm judicial action against suspected terrorists, asylum laws that afford loopholes, inadequate legislation, or standards of evidence that limit use of classified information in holding terror suspects."[88]

If the US continues to support greater EU integration then the problems highlighted above will only worsen. The report then analyses developments in individual Member States and it becomes clear that a number of positive bilateral developments have been made. However, as soon as the US is forced to deal with the EU on a multilateral basis, it once again comes up against the same old problems. The report itself demonstrates that it is easier and more effective to for the US to co-operate with individual Member States rather than the European Union as a whole. The US should therefore concentrate its efforts on building upon individual partnerships in order to secure the most reliable methods for preventing terrorism.

9 - Threat to US Interests Abroad

Undermining US/UK policy on the Middle East and Iran

By pursuing policies in opposition to those of the US, the EU has successively undermined a number of US global interests. The US has also been forced to come to the EU's assistance when their actions backfire. This has been seen especially clearly over the EU's dealings with Iran and could be seen in the future over the EU's possible decision to fund Palestine's new government, Hamas.

The recently elected Palestinian government, Hamas, is listed by both the US and the EU as a terrorist organisation, due to its commitment to terror and the destruction of Israel. The US declared early on that a *"Palestinian government that is not committed to peace and international consensus simply will not receive the sort of direct fund transfers that have been given to the Palestinian Authority,"* although humanitarian aid would be continued through other mechanisms.[89] In contrast to this, as Palestine's largest donor, the EU pledged it would continue to give $144 million in direct aid, in spite of their claims not to recognise the regime. As evidenced in speeches made by Condoleezza Rice and Dick Cheney, the US made its position clear from the beginning that, *"the Palestinian government must recognise Israel's right to exist, and Hamas must renounce terror and dismantle the infrastructure of terror."*[90] The EU, however, announced a u-turn on their pledge for aid on 10 March 2006 when EU External Relations Commissioner, Benita Ferrero–Waldner, announced, *"We will not go soft on our principles… Money will not flow to the new Palestinian authority unless it seeks peace by peaceful means."*[91] EU High Representative, Javier Solana, confirmed this when he stated that up to 80 per cent of the €500 million in EU aid to Palestine was in danger. In this instance the EU has moved from a position that directly contradicts the US, to one which largely follows it. It is interesting to speculate the reasons behind this: was the withdrawal of EU aid due to US insistence?

Prior to the commencement of negotiations between the EU3 (France, Germany and the UK) and Iran over the Non-Proliferation Treaty, former UK Foreign Secretary, Douglas Hurd, wrote an article in the *Financial Times* extolling the benefits of such a programme. He claims this was the time for the EU to demonstrate its independence from the US. However, three years later it is now possible to state what was only too obvious before – officials in the US allowed the EU3 too much latitude in what has turned out to be an unfulfilled hope. In January 2006, Iranian President Mahmoud Ahmadinejad broke UN seals at its nuclear enrichment plant in Natanz, thereby throwing a spanner into the three years of negotiations with the EU3. Whilst the election of President Ahmadinejad in the summer of 2005 further radicalised Iranian politics, the country lacked true commitment to the negotiations long before. Matthew Attwood demonstrated this point in the *European Journal;* he argues that Iran was not adhering to the EU3's demands as early as February 2004, just months after the talks began in October 2003.[92] The potential threat posed by Iran was also recognised by King Abdullah II of Jordan when he identified the rise of an Iranian dominated Shiite Crescent with the election of

the Iraqi government in 2003. Again, this was before the election of President Ahmadinejad.

The US administration has been supportive of the EU3's attempts, irrespective of the heightening tensions between Iran and the Western world. Even now the negotiations have been declared a failure, US political figures continue to take their cue from the EU3 with regards to Iran.[93] It has now reached the stage where opponents of the EU3 and UN's soft approach are unable to speak forcefully about what should be done. UN Secretary General, Kofi Annan urged the US to cool its rhetoric after Dick Cheney warned Iran at the American Israel Public Affairs Committee on 8 March 2006 that the US was *"keeping all options on the table in addressing the irresponsible conduct of the regime."*[94] US Ambassador to the UN John Bolton's recent comparison of the threat of Iran's nuclear programme with 9/11 also received similar reactions.[95]

EU Energy Policy

Energy can no longer be viewed as simply an environmental matter; it is now an issue of domestic supply and the foreign security of a nation. A new impetus is underway among EU bureaucrats to transfer control of energy policy from individual Member States to Brussels. The Common Energy Policy, announced in March 2006, marks an important step in the integration of the EU over a key strategic issue.

At the centre of this new energy policy is the 'Strategic Partnership Treaty' with Russia, which emphasises joint crisis management as EU reliance upon Russian energy supplies increases. The idea that the EU will aspire to adjudicate over Member State energy policy, including the United Kingdom's, will have huge implications for the EU's relationship with the Middle East and Russia.

This common energy policy is certainly not in America's interests. The inability of the UK to regulate its own energy policy will prevent it being able to guarantee flexibility to US contracts and interests in the UK, as it will for any Member State. This will lead to huge instability in the security of supply and also insecurities in the foreign policies of both the EU and the US in terms of their dealings with oil-rich Middle Eastern countries. For example, Mostafa Pourmohammadi, the Iranian Interior Minister, threatened to use oil as a weapon if the UN imposed sanctions on Iran over its nuclear programme: *"If (Security Council members) politicise our nuclear case, we will use any means. We are rich in energy resources. We have control over the biggest and the most sensitive energy route of the world."*[96]

It should be a matter of great concern that the Common Energy Policy rests so heavily upon Russia – a country which continues to control energy supplies to the entire former Soviet Bloc. Only recently Russia held the Ukraine to ransom by cutting off its gas supplies unless it agreed to pay more for the service. There will always be problems if the fate of many rests on one, but the potential instability for the US, UK and EU in this case is enormous as energy policy is now part of foreign and security policy.

Undermining the US Trade Embargo on Cuba

The European Union has consistently expressed its opposition to the extra-territorial extension of the United States embargo on Cuba, as laid out in the Helms–Burton Act of 1996, which effectively forces internationally operating companies to choose between trade with the US or trade with Cuba, thereby punishing any non-US corporations and investors with business interests in Cuba. In retaliation, the European Parliament passed a law making it illegal for all EU citizens to obey the Helms-Burton Act, thereby eliminating any weight the Act had over EU citizens. According to the EU's Common Position on Cuba, *"the objective of the European Union in its relations with Cuba is to encourage a process of transition to a pluralist democracy and respect for human rights and fundamental freedoms, as well as sustainable recovery and improvement in the living standards of Cuban people."*[97] Despite the sentencing in Cuba of 75 jounalists and trade union activists in April 2003 and the conviction of 16 dissidents in April 2004, the EU continues to adhere to this policy. At the most recent UN vote on the issue of the US embargo against Cuba in 2005, the EU voted with the UN in calling on the US to lift its sanctions.

10 - The European Constitution

The latest step in consolidating Franco-German power within the EU – the European Union Constitutional Treaty – was narrowly averted in June 2005 when the French and the Dutch voted against the Treaty in national referenda. The Constitution, had it been enforced, would have represented the final treaty stage of the construction of a power bloc that is deeply political as well as economic. Recent calls for the revival of the Constitution by a number of EU leaders – including those who hold the rotating EU presidency over the next two years – strongly indicate that the battle against the Constitution is far from complete. Indeed, specific aspects of the Constitution – such as the development of a European Defence Agency, established in 2004 – have already been introduced. The Rt Hon. John Redwood, MP, stated in his evidence to the ERF, *"The intention is to carry on with many of proposals of the EU Constitution by stealth or by other means, without needing the consent of the people."*[98]

Indeed, the EU Constitution may seem to be dead but is by no means buried. Angela Merkel has committed Germany to press on with ratifying the EU Constitution, as described in section four above. Already the Austrian Presidency is kick starting this process, under its current presidency. This mantle will be taken up by Finland when it takes over the Presidency in June. The combined effect of the CFSP and defence proposals for the Constitution and the concentration of power in the hands of the High Representative Javier Solana together with the primacy of the EU Constitution over the Constitutions of Member States cannot be overestimated. The combined effect of these and other related moves in this sphere will be to reduce the autonomy of countries such as the UK in forming future military alliances or bilateral military alliances with the US. As Lord Owen argues:

"There must be no uncertainty about primacy in the conduct of foreign affairs lying with the Member State or about the nature of European Union competence in the conduct of foreign and security policy. There was considerable uncertainty on both matters in the proposed Constitution."[99]

For those who would argue that the specific wording retains a sufficient degree of latitude for individual Member States, it would be wise to look at the general trend towards the surrender of individual sovereignty, which has occurred throughout the evolution of the existing European Treaties.

11 - Conclusion

This paper has examined the historical and practical impact of European integration on the United States of America. It has demonstrated beyond reasonable doubt that the current assumptions upon which the United States has continued to endorse European integration are flawed in practice. This is not to say that a good working relationship between the United States and Europe is not essential. However, the process of European integration, exemplified for example by the deep-rooted differences in foreign and security policy and the undemocratic and over-arching constitutional impact of the proposed European Constitution, now illustrate the need for America to review its policy. Deeper European integration, as we have argued above, is not in America's own national interest, let alone in the interests of the EU itself, the UK and the wider world. This is particularly important in the context of global stability as a whole and the emergence of new powerhouses such as China and India, not to mention the dramatic events unfolding in the Middle East.

It would be disastrous if the differences which do exist were to become so entrenched that they undermined the transatlantic alliance which has not only saved Europe on several occasions over the past hundred years, but has also greatly benefited the United States in trade, investment and security. Part of the exacerbation of these differences has come from commentators and policymakers who have failed to observe that the movement towards European political union has compromised the values of democracy and freedom, which lie at the heart of that alliance. They would do well to heed the advice of those Eurorealists who have consistently made the correct predictions about where the European Union is going and who have consistently opposed European integration since the problem became most acute after the Maastricht Treaty and the creation of European government under the existing Treaties and not to mention the proposed Constitution for Europe.

Fortunately, there are positive alternatives to the Euro-integrationist route that include forms of association similar to that of the European Free Trade Area, which would simultaneously preserve American interests *in* Europe and the democracy and the individuality of the nation states *of* Europe. Such an association would also encourage free trade and political cooperation amongst the states of Europe.[100] Making the case from within Europe is one part of the equation, but what is equally, indeed profoundly, needed is a re-examination within the United States (including specifically in Congressional committees and in the State Department) of American policy towards European integration as it has developed since 1945, but particularly since 1990.

There are those who think that the issue of Europe should be put on the American backburner while America absorbs the significance of the emergence of other centres of influence, trade and power. This would be gravely mistaken, as history has shown over and over again. The need to re-evaluate US policy towards European integration has come. This is necessary, particularly having regard to the shared cultural roots, common values and reasons for the transatlantic relationship in the first place. These are not merely nostalgic sentiments from the past, but present, practical policies in America's own vital national interest. Given the weakness of the political will in the EU as a whole, and some Member States in particular, and whilst the tectonic plates of the world are shifting, there is no time to lose.

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100 For further details please see my pamphlet, *Associated, Not Absorbed* (The European Foundation, 2002); *The Case for EFTA* by Daniel Hannan, MEP (The Bruges Group, 2005); and articles by Dr John Huslman and Dr Nile Gardiner at the Heritage Foundation, www.heritage.org.

The Road to Hell was Paved with Good Intentions…

by Sally McNamara

Introduction

Price controls are not a new thing. From biblical times, leaders across the world have tried to control prices in one form or another. But the spectacular commonality of all tried-and-tested price control regimes is that they have comprehensively failed.[1] Ronald Reagan once said that there is no problem that government can't make worse. The US energy crisis in the 1970s was undeniably worsened by government-imposed price controls on the domestic production of crude oil. Indeed, when Reagan repealed this policy soon after his first inauguration, domestic production was unleashed and rejuvenated overnight. That is why it is somewhat ironic that energy companies were first in line for criticism following petrol price increases last year. Hurricane Katrina, followed by Rita, devastated the Gulf Coast, the most intensive area for energy production in the United States. Already hampered by an under-provision in domestic production and refining capacity, short-term price spikes were only to be expected in a market-driven economy.

But that reality has not stopped oil companies falling victim to a politician's worst affliction – the sound bite. In fact, criticism of the energy industry post-Katrina should not really surprise us at all. Successful industries have always been soft targets for politicians who want to convince the public that they are not in fact politicians, but they are, in fact, magicians who can give consumers something-for-nothing. And that's exactly what price controls are – a confidence trick, based on the idea that your government can give you something very expensive, at little or no (upfront) cost at all. Until politicians stop pretending that they can provide unlimited healthcare, energy or anything else for that matter, regulatory burdens such as price controls will remain easy, short-term public policy tools for governments needing an emergency budget fix. But price controls are like putting a sticking plaster over an arterial wound: inefficient and ultimately destined to fail.

Price Controls in Europe

Throughout Europe, including the United Kingdom, the prices of medicinal drugs are not governed by market-driven competition, but are fixed by the government. With a centralised system of healthcare, the British National Health Service (run by the government) in effect operates as a monopoly purchaser of pharmaceuticals.[2] To this end, the British government thus tells pharmaceutical companies what they are prepared to pay for a drug – rather than pharmaceutical companies telling the purchaser what the market price is based on the cost of researching, developing, and producing the drug. If this method sounds deeply unnatural, that's because this system is the antithesis of a market-driven economy.

But the UK is not alone in its regulatory management. Most European and Western nations operate price controls on pharmaceuticals, and the amount that different price-controlled regimes pay for medicines varies tremendously. However, they are all below US prices, whose prices are substantially higher than both Europe and Canada.[3] As American Enterprise Institute Resident Scholar John E Calfee said in Senate testimony in 2004, *"Foreign price controls are explicitly designed to reduce prices below the levels that would arise from natural economic forces."*[4] In the short term, these countries use price controls to reduce overall healthcare budgets.

US Price Controls

In many ways, price control regimes seem attractive at first sight. The American media is all too ready to broadcast images of senior citizens getting on buses to buy cheaper drugs across the border in Canada. However, that does not necessarily mean that Americans are paying too much for their drugs, or even that they are unfairly subsidising foreign consumers. It's rather that the others are not paying their fair share. If rich countries like the UK and France are benefiting from innovative research and development (R&D), shouldn't they pay their fair share for the costs associated with those drugs? Regimes that continue to dictate prices for pharmaceuticals are free riding off the back of expensive development paid for by others. As Mark McClellan, then Commissioner of the US Food and Drug Administration, said, *"Some of the world's richest nations are driving the world's hardest bargains."*[5] It seems that the US has witnessed the European free ride, and they want to get on board. If prices are capped for seniors just a few miles across the border, shouldn't they be capped for them, too?

The Clinton Administration began toying with the idea of federal price controls in 1993, and there has been a plethora of state-level activity to cap prescription drug prices since then. A recent attempt was made by the City Council of Washington, DC, with the Prescription Drug Excessive Pricing Act of 2005. The Act declared that pharmaceutical companies were henceforth prohibited from charging 'excessive' prices for patented drugs, providing that a price would be considered excessive if the wholesale price in DC was 30 per cent higher than the comparable price in the price-controlled regimes of Germany, Canada, the United Kingdom, or Australia.

Despite DC Mayor Anthony Williams's enthusiastic support for the Act, sense prevailed and a US District Court found the Act unconstitutional. Perhaps most important, the Court found that, *"Congress regulation of our nation's pharmaceutical industry is grounded in large part by the complex balance of economic forces and regulatory exclusivity designed to encourage and reward the innovation, research, and development of new drugs."*[6] Basically, that federal patent law is designed to reward innovation and provide a sufficient incentive to encourage future R&D. However, states across the US, as well as other nations, continue to debate various measures to promote control over drug prices, whether it be capping prices or issuing compulsory licenses, regardless of the damaging long-term effects on innovation and thus on the health of their own people.

The Cost of Price Controls

And there's the rub. Although the UK and other price-controlled regimes believe that they are cutting budgets and receiving benefits in the short term, the long term ramifications of price controls is counter-intuitively damaging to everyone.

While Europe believes it has been economically savvy in getting a good short-term deal on prices of particular existing drugs, in fact it is making a bad deal for everyone. Patricia M. Danzon and Michael F. Furukawa have shown that countries with strict price regulations have lower participation in the generic medicines market than less regulated countries, *"because*

regulation tends to drive out competition."[7] With a heavy reliance on patented drugs, not only are price controlled regimes free-riding on the back of expensive research, they are ultimately driving out a key portion of the market that could reinvent the failing European pharmaceuticals industry and ultimately benefit the sick.

But that economic bad deal illustrates an even more damaging picture when you scratch further below the surface. In his Senate testimony, John Calfee demonstrated that as European price controls took effect, there was a *"decisive shift of pharmaceutical R&D activity"* from Europe to the US. His evidence is startling – in 1988, American manufacturers only developed 19 of the 50 best-selling drugs worldwide. By 1998, however, American manufacturers sold 33 of the top 50 drugs.[8] On the biotechnology side, Europe's performance has been even more dismal. Figures compiled in 1995 on the invention and marketing of biotechnology-derived medicines show that just 25 per cent of biopharmaceutical development work is located in Europe, compared with a US market share of 63 per cent.[9] In a speech to the European Federation of Pharmaceutical Industries and Association (EFPIA), EU Commission Vice-President Günter Verheugen directly identified price controls as a key component to addressing the long-term challenges of underinvestment and lack of innovation in this industry.[10] Of course, not a lot has *really* happened since then, in true EU style. This inaction is all the more ironic at a time when Europe's leaders are calling for the Lisbon Agenda on making Europe the world's most competitive and innovative economy to be pursued ever more vigorously.

But Europe's flailing economy is not the only casualty of overly intrusive regulatory systems. In fact, it is not even the major consequence. The long-term threat to future cutting edge R&D and life saving drugs is the gravest negative outcome of price controls, because of its danger to human health. A Resolution passed by the American Legislative Exchange Council's Health and Human Services Task Force declared:

"When price controls are imposed on any industry, they reduce returns on investments, and the ability of producers to fund new, innovative research or continued development, or increase in production. The most damaging effect of price controls on pharmaceuticals is that they will discourage manufacturers from developing additional life-saving drugs because they will not be able to recoup the costs of research and development."[11]

In basic research, of course, there is never a guarantee that the research will be brought to market after going through extensive and expensive animal and human clinical trials. Who will develop the next life-saving drug if there is (a) no money from previous drugs to fund new research, or (b) no incentive or guarantee that the product can be sold at a profit?

Estimates vary widely of how much investment is required to bring a new drug to market, but a conservative estimate is around $500 million.[12] This estimate is also qualified by the fact that seven in ten of these drugs will never recover their costs. In 2002, the top 16 pharma companies launched just 15 and 16 new products in the US and Europe respectively – well below the average over the last decade.[13] Therefore, it is becoming more, not less, important for pharmaceutical companies to garner fair economic value from their products; with fewer products coming to market, price and access are more important than ever – otherwise, they simply will not develop the products that have changed our lives thus far. A study carried out by the US Department of Commerce of the effects of pharmaceutical price controls in OECD countries found a $5 to $8 billion annual reduction in funding for drug R&D, which ultimately means that fewer lifesaving drugs are developed.[14] It's no exaggeration to say that the cost of price controls is a loss in life quality and, ultimately, life itself.

Assessing potential health effects makes even scarier reading for consumers in price controlled healthcare regimes. In February 2006, the US National Center for Health Statistics announced the dramatic news that the number of Americans dying from cancer fell for the first time in decades.[15] Having analysed the figures, the American Cancer Society found that rates have fallen for lung, breast, prostate and colorectal cancer – the most common form of cancers. For women, lung and breast cancer are being treated more successfully than ever, and for men, death from 11 of the 15 most common forms of cancer are on the decline. Childhood cancers also show phenomenal improvements in survival rates. Comparing survival rates with government-run health systems elsewhere in the world is perhaps the most startling aspect of this report though. It shows that while only 20 per cent of men with prostate cancer in the US will die from it, about 57 per cent of British men, and nearly half of French and German men, will do so. And while US seniors might be getting on buses to get cheaper medicines across the Canadian border, two-thirds of Canadian provinces report sending their colon cancer patients to the US for treatment.[16]

Consumer Choice

To some extent, price control regimes must also rely on a lack of consumer choice. When it comes to making informed choices about medicines, Europe's citizenry is woefully deprived because direct consumer advertising is prohibited. There is currently what can only be described as a media frenzy in the UK over access to a new breast cancer drug. In late 2005, nurse Barbara Clarke was denied prescription of the early stage breast cancer drug, Herceptin. With medical knowledge and experience of using the drug Herceptin, Mrs Clarke's campaign for Herceptin quickly captured the media's attention and immediately changed the health authority's position.

But what about all the other new drugs that are routinely refused to patients, which they never know about? Evidence suggests that price controls and other forms of market intervention reduce the rate of adoption of important new therapies like Herceptin, and as such older, less effective drugs are used instead. Without any form of direct advertising, how are patients expected to make informed decisions about their care? By its nature cancer requires aggressive treatment with the best therapies to increase the chance of survival. With price-controlled budgets, rationing pervades the system. The last thing that this system can afford is more 'Mrs Clarkes' or an informed clientele. It verges on the ridiculous that consumers have access to unlimited amounts of advertising for cars, electrical goods and almost every other consumer product, but not for their healthcare and treatments.

Neither is it healthy. In a Cambridge University study, *The Informed Patient,* Detmer, Singleton & MacLeod *et al*. showed that better informed patients are less anxious, start treatments earlier, are more satisfied and litigate less, follow advice better and have lower healthcare costs through more self-management.[17] All of these undeniably contribute to better health. Direct-to-consumer advertising has been allowed in the United States since 1983 and has been shown to provide benefits, but the EU continues with its ban – a move which is

criticised by patient advocates, medical associations and industry alike.

This all goes back the concept of taxpayer as consumer. How many times do we hear the phrase 'healthcare is free' in the United Kingdom? It might be 'free' at the point of delivery, but it certainly is not free when you see the escalating National Insurance deductions in salary packets every month. The sheer stealthiness of how taxpayers fund the National Health Service is testimony to the invisible hand of government control, emasculating any concept of consumerism in the British health service. So long as governments continue to treat their taxpayers as passive recipients of healthcare rather than direct purchasers, limiting access to drugs (and information about them) will be a key aspect of health policy.

Trade Distortions

If it is somewhat surprising that price controls are considered compatible with World Trade Organization (WTO) rules, it is even more surprising that they are considered acceptable under the EU's much-prized Single Market concept. Regulations and Directives have been steadily introduced since the 1960s with the aim of achieving a single, EU-wide market for pharmaceuticals[18] – not forgetting that the Single Market is one of the main reasons given by EU enthusiasts for membership of the Union. In its communication on the Single Market in Pharmaceuticals, the European Commission stated, *"The completion of the internal market is the single most important step needed to make Europe a more attractive R&D investment location."*[19] However, as Jean-François Dehecq, Vice President of the EFPIA, said, national price control regimes do not allow for pharmaceuticals to become part of the Single Market.[20] Instead of pursuing more regulation designed at flagrant targets such as 'social Europe', the EU would do better to concentrate on freeing up the market in this critical industry.

The parallel trade that price controls encourage within the EU is another crazy market distortion which simply isn't working for anyone's benefit. A Member State may buy a patented drug at its (cheap) government-determined price but may then re-export the product to another country, often making a great profit. For example, in the early 1990s the price of the Bayer-patented drug, Adalat(e), was about 40 per cent cheaper in France and Spain than in the United Kingdom. From 1989 to 1993, therefore, French and Spanish wholesalers exported large quantities of Adalat(e) to the United Kingdom, causing a DM 230 million ($140 million) loss of turnover for the British subsidiary of Bayer.[21] Data also show that the Netherlands parallel imports 14 per cent of the total pharmaceuticals consumed in the country from within the EU.[22]

Supporters claim pharmaceutical parallel trade benefits healthcare stakeholders and patients through opening up medicine provision and lowering costs. However, a comprehensive study by Dr Panos Kanavos, lecturer in international health policy at the London School of Economics, shows that although the overall number of parallel imports is continuing to increase, healthcare stakeholders are realising few of the expected savings.[23] Dr Kanavos's study exemplifies the basic fact of almost all price control health regimes – limited access to drugs and new technologies often accompanied by longer waiting lists than in non-price control regimes. Parallel trade, like price controls, is contrary to the concept of a single market and decidedly incompatible with the concept of a free market. Because parallel importing cannot be challenged under WTO rules, EU courts have an especially important role to play. But their procrastination in dealing with the legality of parallel importation continues to make the situation all the more confusing and ultimately all the more disadvantageous for patients.[24]

Conclusion

It would be ridiculous to argue that all countries should pay the same for specific medicines. The very concept of free trade economics means that drug companies will have to sell their product at different prices, depending on the wealth of the nation and the cost of doing business there. But the disparity between what the US and UK are paying for important patented drugs is wrong; many Western nations are not paying their fair share.

Doug Bandow has a simple but powerful argument: *"drugs should not be looked at only as a negative expense to be controlled."*[25] The benefits that drugs have brought into our lives, such as increasing cancer survival rates, are extraordinary. Pharmaceuticals are an investment in the economy and, more important, an investment in people. Of course, there is a justifiable concern about access to, and affordability of, medicines. But access to pharmaceuticals cannot be without boundaries. There is no morality in eating everything in the house today if the family is going to starve tomorrow. Pharmaceutical companies, like energy companies, have relatively hidden R&D costs, but very public profit reports, subjecting them to the worse kind of demonisation. But since when did the profit motive become the enemy? The real enemy is rather those whose polices threaten the development of the medicines of tomorrow.

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25 *Demonizing Drugmakers*, Issue Analysis: American Legislative Exchange Council, October 2001.

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Europe's Global REACH

Chemical Regulations in Europe Promise Worldwide Costs[1]

by Angela Logomasini

In the coming months, policymakers in Europe will decide the fate of the community's chemical industry – deciding whether to pass the most extensive regulation on the industry ever. The proposed EU chemicals policy – called REACH for registration, evaluation, and authorisation of chemicals – would employ the so-called precautionary principle by requiring companies to prove that their products are safe before their introduction into commerce. Currently, government officials must bear the burden of proving a product unsafe before removing it from the market. REACH would reverse this burden, demanding that firms conduct extensive tests to demonstrate product safety. Since manufacturers can't prove anything is 100 per cent safe, this policy will likely produce arbitrary bans of many relatively safe substances and discourage innovation.

Background

As the name implies there are several regulatory components of REACH. The registration phase mandates that firms register products with the government when they produce or import them at levels of one metric ton or more per year. The second stage – evaluation – involves consideration of whether the government will demand further study of chemicals. Chemicals deemed as substances of 'special concern' during evaluation must undergo the next stage – authorisation. After demanding further study and review of chemicals during authorisation, regulators then decide which substances to ban or regulate and which to provide final approval.

REACH applies the term 'chemicals' in the broadest sense, covering the production and importation of all substances involved in commerce – including minerals and metals, which sometimes are not lumped into the category of chemicals for regulatory purposes. Chemicals incorporated into products are also included if the final product is designed to release chemicals (such as an air freshener or ink cartridges) or releases substances inadvertently.

The REACH proposal includes some exemptions for things that are obviously safe, such as water, as well as some products regulated under other directives such as medical products, food additives, cosmetics, and pesticides. In addition, REACH exempts most polymers, but the Commission will likely try to include these in the programme at a future date.

Existing regulations currently only cover firms that manufacture chemicals. REACH covers anyone who produces, imports, or uses a regulated substance. REACH also covers downstream users, which includes formulators (such as paint manufacturers) and firms that use chemicals in their production processes or as ingredients.

State of Play

In recent months, the proposal has undergone revisions by the European Parliament (EP) and the Council of Ministers. The EP version allegedly reduces red tape by increasing the chemical agency's authority to issue waivers and adding provisions to reduce testing requirements for some chemicals. The most significant change was the addition of what has been dubbed the 'substitution principle,' which would demand that firms not produce 'dangerous' chemicals if a substitute product is available. This standard would be very difficult for firms to demonstrate and would likely lead to bans on valuable products, forcing firms to turn to inferior and/or much more expensive 'substitutes.'

The Council proposal would get rid of the EP's 'substitution principle.' It will not ban dangerous substances if a firm can show that *"the risks are adequately controlled,"* the *"social and economic benefits outweigh the risks"* or the firm can show that *"suitable alternative substances do not exist."* This standard is a bit more reasonable as it allows continued use of chemicals when risks are managed. Yet the Commission will decide what 'adequately controlled' means, providing it an opportunity to greatly diminish the value of this provision. Given that the Commission has supported the most stringent versions of REACH, businesses should expect a tough standard in any case.

The next step is for the Commission to draft a new version based on the two existing proposals, which the Commission is expected to release in May. The European Parliament is expected to consider the proposal and complete a final reading in September, at which point it can either accept the Commission draft or reject it in total. However, it is expected that the Parliament will accept the Commission version, and the Council is also expected to pass it. Implementation is slated to begin in 2007.

Economic Scope

Despite some attempts to make REACH more reasonable, all versions of the proposal promise substantial adverse worldwide impacts. The European chemical industry (CEFIC) has pointed out that REACH will place considerable burdens on its members. A CEFIC publication notes: *"Already today, bringing a new chemical to the EU market takes three times longer and costs 10 times as much as in the US. Substance innovation with new chemicals, which the future of the industry depends on, is therefore mainly taking place outside the EU."*[2] CEFIC has indicated that it expects that firms will stop producing as much as 10 to 30 per cent of substances currently produced at relatively low levels (1 to 100 metric tons per year), as the costs or regulations may make them unprofitable.

Such market changes promise to cause some firms to relocate to non-EU countries, leading to job losses for Europeans. REACH will significantly reduce innovation as lower profits and the costs of registration will leave few resources for new product research and development. In addition, there may be fewer kinds and reduced amounts of raw materials available as importing costs grow substantially higher.

REACH is expected to hit small and mid-sized firms particularly hard, which should be a great concern for anyone interested in promoting a prosperous European economy. 95 per cent of chemical firms in Europe employ less that 250 people. These firms are responsible for 30 per cent of the

chemical sector's production and they employ 36 per cent of the sector's workers.[3]

REACH also promises to have protectionist effects that will likely trigger World Trade Organization disputes. In a presentation to the European Parliament in January 2004, Dr Marco Bronckers, who is chair of the World Trade Organization (WTO) and international trade law professor at the Law University of Lieden, detailed many trade-related problems of REACH. For example, he noted that under international trade agreements, regulations must be *"not more trade restrictive than necessary to fulfill a legitimate objective, taking account of the risks non-fulfillment would create*." REACH's volume-focused requirements are likely to violate this WTO requirement. Since low risk substances will be regulated under REACH simply because of their high volume, the regulations may be deemed arbitrary.[4]

In fact, the REACH Alliance – a group of manufacturers who define themselves as users of "*minerals, ores, and other substances occurring in nature, recovered materials, and wastes*" – is already complaining that REACH unfairly affects raw materials that are low risk but used in high amounts. The Alliance members point out that other raw materials are exempt – such as gas, crude oil, and coal.[5] It could be argued that such exemptions, along with the fact that many of the minerals and ores pose little risk, make REACH's approach arbitrary rather than public health-focused.

Cost Estimates

A Commission-funded study estimates that the registration phase of REACH would cost between €2.8 and €5.2 billion. However, this study only covers a fraction of the likely costs – the costs of registration. It does not measure costs associated with evaluation and authorisation phases. It also leaves out the impacts of reduced competitiveness that REACH may produce for downstream users, and it does not consider the economic costs resulting from reduced innovation.[6] A study produced by KPMG suggests that REACH will produce a one-time 6 to 20 per cent increase of production costs.[7] These costs are high, yet this study, like the Commission study, does not attempt to measure all of REACH's potential costs.

All studies acknowledge that REACH will lead manufacturers to stop producing some products rather than go through registration bureaucracy. The impacts associated with the elimination of just a few substances during the registration phase – not to mention the loss of products during evaluation and authorisation stages – could be substantial. According to the KPMG study: *"Formulators typically use a particular critical substance in many of their formulations. So the loss of only a few critical substances would affect a large part of their portfolio, resulting in large scale reformulation."*[8]

In addition, cost studies have found that REACH will reduce innovation and harm businesses in the EU nations that need development the most – the newer EU members in Eastern Europe.[9] Small businesses throughout Europe will also have a particularly hard time, according to nearly all studies. One study notes: "*The heaviest burden will be on SMEs which cannot consistently fulfill the REACH requirements and so it is predicted that most of them may face financial troubles, may be taken over by bigger ones, or even shut down."*[10]

Questionable Benefits

Most of the claims made about REACH benefits involve speculative comments sprinkled throughout various studies. These speculations have taken on the character of gossip; they gain credibility simply by being repeated and some are embellished in subsequent reiterations. But by checking the data supposedly underlying such claims, one either finds that sources are lacking or that the claims greatly mischaracterise the research they cite. Consider some examples.

The Commission's 2003 Extended Impact Assessment of REACH claims that REACH might save 4,500 lives based on data provided in a World Bank study on environmental health risks around the world.[11] This claim is repeated in a study produced by Tufts University for the Nordic Council.[12] Similarly, this World Bank figure is used by the World Wildlife Fund's analysis, which relies on this claim to arrive at a net benefit estimate for REACH.[13]

Yet the World Bank report relates to problems associated with high-level exposures to agro-chemicals, most of which are related to the improper use of chemicals. Acute poisoning is *"the most often cited health consequence of pesticides use*." It notes that health problems usually *"arise from improper application or container disposal."*

REACH is not designed to address acute poisoning or the misuse of chemicals whose properties are well known. In fact, many of the substances involved in the World Bank study are likely pesticides that will be exempt from REACH regulations. Hence, this statistic is completely irrelevant to REACH's benefits calculations, yet somehow REACH advocates have been able to use it to justify their programme.

Another questionable set of benefits claims stem from a more formal benefits study produced for the Commission by Risk Policy Analysts Limited (RPA). It purports to have produced hard numbers documenting REACH benefits in terms of occupational safety. This report does one thing right. It acknowledges that REACH benefits will not result from better management of chemicals risks that governments manage today. Accordingly, the RPA study attempts to quantify work-related illnesses that are caused by unknown chemical sources. But if the causes are unknown, how can anyone deem them to be caused by chemicals used in the workplace?

Such ambiguity leads to some really slippery 'science'. The study design is the first and most obvious problem. A good study collects data in a systematic and consistent way, using a clear set of scientific standards. In contrast, RPA collected data from government agencies in various EU Member States, and each of these used different data collection methods – some good, some not so good. In addition, rather than using one year as a sample year, RPA used different sample years for different nations based on what each nation had available. And while some of the information comes from government studies, some is better characterised as hearsay. Indeed some of the RPA study references involve nothing more than telephone conversations, which have little place in this type of study.

Another problem with the study is that it attempts to take all the murky data for a limited set of countries and extrapolate risks for the entire European Union. When a study makes such extrapolations, it should at least have a reasonably representative sample. But the haphazard nature of this data collection effort makes such extrapolations nothing more than a desperate attempt to generate something from nothing.

The extrapolations for the entire EU are based on illnesses listed in government reports under one of two categories: 1) illnesses reported as caused by 'unspecified' chemicals or 2) illnesses whose causes are designated 'unknown.' Using these categories, RPA developed an upper-bound

estimate based on the first category and a lower-bound estimated based on the other. But there doesn't appear to be any logical reason for using these designations for upper- and lower-bound estimates.

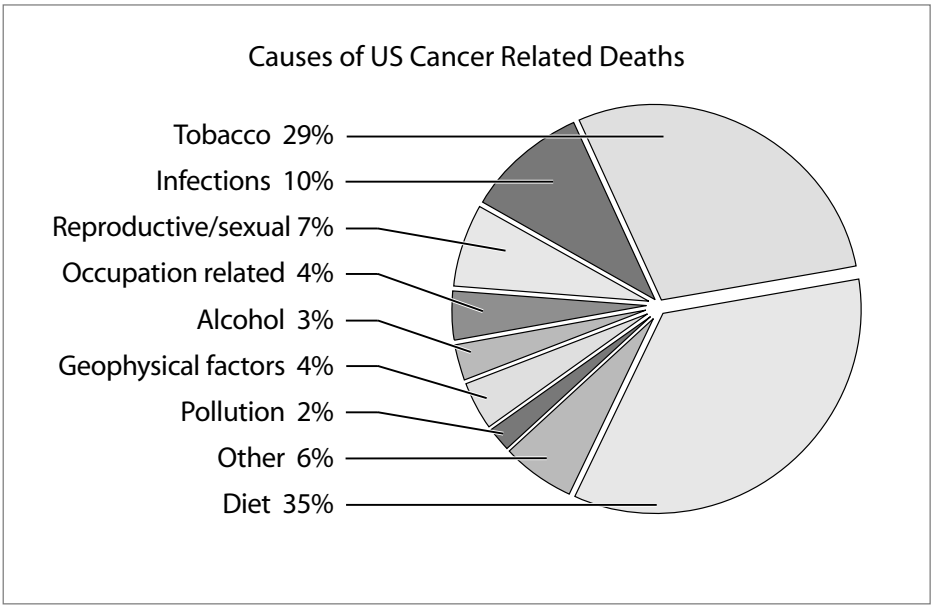
Moreover, there isn't a good rationale for assuming that REACH would have any impact on such cases. In the first instance, simply because a government lists an illness as the result of an 'unspecified chemical' does not mean that it is caused by unknown chemical sources. The causes may have been clear (such as accidents and misuse of chemicals), but the case was simply reported in a miscellaneous category because it didn't fit under any of the typical categories used by public officials. RPA admits as much in a parenthetical comment noting: *"although in the case of unspecified chemicals it [the data] may also reflect poor or incomplete reporting."*[14]

The other category on which RPA bases its extrapolations – the 'unknown' cause of illness category – is even murkier. If the cause of an illness is unknown, there is no good reason to simply assume it resulted from a chemical whose dangerous properties are yet undiscovered. Indeed, there is no evidence that such cases reflect the use of manmade chemicals at all. To add insult to injury, a review of the data finds that much of it is mischaracterised, doesn't appear to directly match some of the original sources, and contains serious errors.[15] Such mistakes should be caught when a study is peer reviewed. However, there is no mention in the study about it passing any peer review.

Environmental Causes of Cancer

If chemicals were a source of health problems, one might expect that as chemical use has increased around the world, there would be some measurable adverse impact on life expectancy, cancer rates, or other illnesses. Yet in developed nations, where chemical use has greatly increased, people are living longer, healthier lives. According to the World Health Organization (WHO) in its World Cancer Report, the average worldwide human life span has increased from 45 years in 1950 to about 66 in 2000 and will most likely continue to increase to 77 years by 2050.[16]

Nonetheless many complain that chemicals are causing a cancer epidemic in developed nations. But trace level chemicals have never been shown to be a significant cause of cancer. In its World Cancer Report,



the World Health Organization estimates that at most 1 to 4 per cent of cancers can be attributed to environmental pollution in developed countries. The WHO report cites a world-renowned study by scientists Sir Richard Doll and Richard Peto.[17] While Doll and Peto note that 80 to 90 per cent of cancers are caused by 'environmental factors,' this phrase encompasses anything other than genetics. It does not include pollution alone. Environmental factors include smoking, diet, occupational exposure to chemicals, 'geophysical factors' such as naturally occurring radiation, manmade radiation, medical drugs and radiation, and pollution. According to Doll and Peto, pollution accounts for only 2 per cent of all cancer.[18] Neither Doll and Peto nor the WHO mention exposure to chemicals through consumer products as a serious cause of cancer, which is a key focus of the chemicals strategy. In addition, the EU policy will not likely affect occupational exposures in the developed world since, as the WHO notes, *"most occupational carcinogens have been removed from the workplace."*[19]

Doll and Peto report that tobacco use accounts for about 30 per cent of all annual cancer deaths,[20] and dietary choices account for 35 per cent of annual cancer deaths.[21] The WHO confirms these figures, attributing 30 per cent of cancers to smoking and 30 per cent to dietary factors.[22] The WHO notes that chronic infections – which are particularly a problem in developing nations – cause about 18 per cent of worldwide cancers.[23] Genetic factors may lead to an additional 4 per cent of cancers. That means less than 20 per cent of cancers result from all other causes – including pollution, alcohol, occupational exposures, medical drugs, radiation, immunosuppression problems, and reproductive factors and hormones.

Nonetheless, since cancer is a disease related to ageing, the developed world's ageing population does indeed present new health challenges that are important to address. The WHO suggests that cancer prevention efforts should focus on three factors: tobacco use, diet, and infections, which together account for 75 per cent of cancer cases worldwide.[24] Efforts to encourage people to change personal habits by eating better are likely the most effective cancer prevention policy.

Conclusion

Any serious analysis of the REACH proposal reveals that the economic impacts of the proposal are not good for Europe and other Western nations, and its impacts could be particularly dire for new EU Member States. Meanwhile, documented benefits of this programme are nonexistent. Underlying all benefits claims is appallingly poor quality data, junk science, or mere supposition that is less reliable than gossip. Moreover, public health trends show that threats from trace-level chemicals are tiny, particularly compared to real world problems associated with such things as poverty. Unfortunately, failure to consider such realities and set reasonable public health priorities won't only hurt the nations that deliver such faulty laws, it promises to deprive individuals of basic economic freedoms and harm human well being around the globe.

Advert for Roger Helmer, MEP

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EU Regulation: Lightening the Load

by Lorraine Mullally

The European Union is producing more new pieces of legislation than ever – around four a week on average – despite promising 'a bonfire of regulation'. Its insistence on 'better' instead of less regulation has so far had precious little impact on business. There are several measures the EU and the UK must take to help stem the tide of damaging regulation and ensure businesses can remain competitive in an increasingly challenging global economic environment.

Back in 2004 there were high hopes for the new Commission, led by Jose Barroso, who was hailed as a liberal reformer. The new Enterprise Commissioner Günter Verheugen said that *"cutting red tape"* would be his *"personal trademark"* and promised to repeal or simplify 1,500 pieces of existing EU legislation over three years. The headlines reported that Europe had started a *"war on red tape."* So far it seems the red tape is winning.

Everyone knows Europe faces slow growth, high unemployment and massive future demographic problems. But instead of pursuing any meaningful reduction in the burden of regulation on the economy, the EU is still tinkering around the edges. The emphasis has drifted towards re-drafting laws rather than actually hacking back red tape.

Six months after the event we are still hearing about the Commission's headline-grabbing decision to withdraw 68 pending proposals for legislation in September last year. But a closer look at what was involved reveals that most of the 68 bills concerned were already obsolete, or had been pending for years. 27 of them, for example, were over five years old and 22 concerned the association agreements signed with the ten new member countries, which all became defunct when they joined the EU in 2004. As *Le Figaro* wisely observed, the initiative was *"largely cosmetic"*.

In October the Commission had another go. It announced that it would *"repeal, codify, recast or modify"* 220 pieces of legislation. Again, it sounded good, but it didn't stack up. Only 8 regulations will actually be repealed and not replaced. The rest are to be rewritten, as the Commission says, *"without changing the substance of these provisions."* Even the regulations which are to be ditched will have no economic impact – in the Commission's words they are *"irrelevant or obsolete."* For example one is an obscure 1960s' Directive on measuring the size of knots in bits of wood.

Despite what seemed to be good intentions of President Barroso, the EU's production of new regulations is not going down, but is actually increasing at an alarming rate. Of the 22,000 pieces of legislation on the EU statute book, about 12,000 were introduced in the eight years between 1997 and 2005, compared to 10,000 during the forty years from 1957 to 1997.

How much regulation comes from the EU?

The cost of these regulations for British business is enormous. Even Gordon Brown has admitted that, *"Approximately half of all new regulations that impact upon businesses in the UK originate in the EU."* The Dutch government also says that over 50 per cent of regulations have a *"direct European origin"*, and calculates that the EU-related administrative burden on Dutch business is over 2 per cent of GDP.

However, research by Open Europe has shown that the actual burden imposed by EU regulation is far greater – since 1998, 77 per cent of the cost of regulation on UK business has been driven by EU legislation. The total cost of these EU regulations to the UK's economy has been over £30 billion since 1998. Three of the EU regulations studied have cost business over £5 billion each since 1998. Indeed the EU is responsible for four of the five most costly regulations on UK businesses.

Even these figures are conservative – they are based on the UK's own Regulatory Impact Assessments, which tend to concentrate mainly on the direct costs of regulations. Estimates of the wider impact of regulation suggest the costs could be far higher.

Less regulation, not *better*

Part of the reason for the lack of progress on deregulation is the EU Commission's insistence that deregulation does not mean *less* regulation, but is about *"better regulation."* This has become the Commission's watchword over the last few years. It is argued that it will be beneficial for business if the EU simply redrafts and 'codifies' its existing regulations – drawing together related directives and amalgamating them into one.

The Commission admits that 'deregulation' is not its aim. Günter Verheugen, the EU's Enterprise and Industry Commissioner, stresses that his latest deregulatory drive *"is not about less Europe, it is about better Europe."* In a press release on deregulation the Commission insisted that, *"Better regulation is not deregulation."*

This emphasis on *better* regulation allows the Commission to appear tough on regulation and generates positive headlines. However, the result is that existing costly regulations are not repealed, and they continue to damage the EU's competitiveness. What is clearly needed is *less* regulation. Any meaningful deregulation will be controversial and will address the regulations which actually do impact on business.

As well as abandoning the insistence on *better* regulation, several other steps could be taken to stem the EU's current explosive growth of legislation:

- Adopting a Dutch system of de-regulation

The EU could learn a lot from the Dutch system of deregulation. The Netherlands is steadily conducting a proper economic audit of the whole body of existing legislation – both national and European – and has a target to reduce administrative costs by 25 per cent by the end of 2006.

The Danish and Swedish governments have both proposed to implement a similar scheme with specific targets for reductions in administrative costs. The EU could create a unit like the US Regulator Oversight office to drive through such a programme.

- Introducing compulsory impact assessments for EU regulation

Regulatory Impact Assessments (RIAs) at EU level should be made compulsory. The EU is not currently obliged to carry out

proper Regulatory Impact Assessments before legislating. This means the vast majority of EU legislation goes through without being subjected to a proper economic impact assessment – either by the UK government or the EU itself.

A study by the British Chambers of Commerce last year found that only 0.5 per cent of EU regulations are subject to RIAs in the UK, and that only 0.2 per cent of regulations were given impact assessments at EU level. Research has shown that large numbers of the impact assessments that were carried out were published after the regulation had already come into force. As well as their very limited coverage, and the fact that many are produced too late to be of use, the EU's impact assessments are also of very low quality.

- Improving scrutiny of EU legislation at Westminster

Lastly, MPs at Westminster need far greater powers to raise the alarm about upcoming EU regulations at an early stage.

The current EU Scrutiny Committee is seriously underpowered to deal with the flood of EU legislation. On top of this, the Committee has no power to affect EU legislation in any meaningful way. A so-called 'scrutiny reserve' allows MPs to ask the government not to sign up to a proposal until it has been passed by the Committee. However the government makes a mockery of this system by exploiting a loophole which allows it to 'override' the reserve, to avoid losing face in European Council meetings.

Use of this 'override' is on the up – since figures were first collected in 2001 it has been used 358 times – i.e. to pass 358 pieces of key EU legislation without proper scrutiny in Parliament. 2005 saw the greatest ever use of the override, despite the UK government holding the EU presidency (and therefore control of Council agendas) in the second half of the year. Any scrutiny that does happen often takes place after legislation has already been passed, meaning interest in EU affairs at Westminster is generally low.

The UK could learn a lot from the forward-looking Danish Parliament, where a well-informed, well-attended EU scrutiny committee – the *Europaudvalget* – grills ministers every Friday and goes through the agenda for the following week's EU meetings. The minister must seek a mandate from the committee for its position, and report back to the committee after the meeting to prove he/she has kept within that mandate.

Serious reform of the Westminster scrutiny system could have a real impact on the flow of damaging regulation from the EU, by allowing UK MPs a bigger say in what is decided behind closed doors in Brussels. Reforming its own system of parliamentary control of EU legislation is something the UK can pursue independently, without needing to wait for the approval of other EU member states.

A big bang

These initiatives, while helping to stem the current explosive growth of EU legislation, are technocratic solutions. Any meaningful deregulation drive will involve a controversial effort to axe from the EU statute book the regulations that actually impact on business, and an end to the fiddling around the edges we have seen over the past year. Only a 'big-bang' like this will suffice if the EU is serious about reducing the burden of regulation on the economy.

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Blessed be the risk-takers

by James Walsh

Society's schizophrenia about risk

For Institute of Directors (IoD) members, every day is about taking risks. Not reckless risks, not risks regardless of market conditions, but the risks that come with almost any decision to move a business forwards. Whether it be a pricing decision, the development of new products or a move into new markets, they all come with risks attached.

For real entrepreneurs, taking and managing risks comes naturally. That's business.

As in business, so in society. Almost every great public figure we could think of, from Churchill to Mandela to Branson to Dyson to Ellen MacArthur, is admired because they dared to take the risks without which great achievements in politics, business and sport can never be possible.

So there is no reason to think that modern society doesn't understand the close connection between risk and reward. On the contrary, we are faced with examples of it every day.

Yet things are very different when it comes to the risks involved in our day-to-day relationships as consumers, employees, passengers and electors. All of a sudden we are risk-averse, putting pressure on our policymakers to combat the risk of undesirable outcomes such as accidents, fraud or illness with new state-imposed rules and regulations – even if it means that desirable results, such as cheaper services or new products, are stamped out as well. Almost every unpopular regulatory burden can be traced back to a wish to legislate away the risk of a bad thing happening.

Even the business community has to hold its hands up. The argument that companies need the legal certainty of closely worded laws covering every possible situation, rather than the uncertainty of broad-brush legal principles, is one that gets plenty of airing in conference rooms in Whitehall and Brussels when business representatives have their chance to bend the ears of government.

In short, modern society is schizophrenic about risk. Our attitude seems to be 'blessed be the risk-takers – as long as I don't have to be one of them.'

It is this issue – society's attitude to risk – that is at the heart of the debate about 'Better Regulation', 'red tape' and the competitiveness of the EU economy.

What's in it for policymakers?

On the face of it, there is a simple solution to Europe's over-regulation problem – be less risk-averse. But it is easier said than done.

For a start, there are precious few votes in it. No one mans the barricade in defence of the benefits – often uncertain and difficult to forecast – that may or may not result from a light-touch approach to regulation. But people are quick to roll out the 'something must be done' arguments that weigh so heavily with policymakers.

As I write, the European Commission is

under heavy pressure to protect shoe manufacturers in Italy and Spain by imposing tariffs on cheaper imports from Vietnam and China. While the vested interests are as vocal as ever, no one is speaking up for the millions of European consumers who would benefit from wider choice and cheaper prices. No wonder the regulatory option so often wins out.

Policymakers can hardly be condemned for taking the regulatory route when a refusal to do so guarantees a public pasting from sectoral interests and large sections of the media, but little thanks from the more diffuse interest groups that would benefit.

Businesses take risks because there is something in it for them – usually the prospect of turning a profit. But it is different for politicians and civil servants. They have precious little to gain and plenty to lose from adopting a more risk-averse approach.

Pity the Minister who finds himself at the despatch box explaining why he decided against a new regulation that might – as the media can easily argue – have prevented an accident or some other tragic event.

It is easy to see why Ministers are reluctant to leave themselves open to this kind of career-threatening crisis. Yes, a lighter-touch approach might help businesses and voluntary groups to enrich society in a thousand minor ways by developing their activities free from restrictive controls. But there will be little by way of public thanks for the Minister who had the wisdom to let them do so.

Those who advocate a more risk-averse approach must first solve this problem: how do we change the system so that policymakers and politicians can see there is 'something in it for them'?

Two problems with current policies

Given the constant pressures on politicians to produce yet more regulations, it is remarkable – and actually quite encouraging – that both the British government and the European Commission are embracing an increasing number of 'Better Regulation' initiatives. Clearly, the business lobbying has not been entirely in vain.

In the UK, the government is looking for examples of unnecessary or over-complicated regulations and forms that could be abolished or simplified. A dedicated 'portal' on the Cabinet Office's website invites submissions and promises a response within 90 days.

A more ambitious project borrows from Dutch and Danish experience of measuring the cost of every single administrative burden that government imposes on business and the voluntary sector. An army of consultants from PWC and KPMG has been busy interviewing business people and costing the time involved in filling out forms and dealing with inspectors. The Chancellor will then set targets for reductions.

Meanwhile at EU level, Commission President Barroso and Enterprise Commissioner Verheugen have been pushing forward a similar set of initiatives, scrapping items from the Commission's legislative in-tray and launching an appeal for regulations that would benefit from simplification.

Welcome as these measures are, they suffer from two structural weaknesses.

First, they address the stock of existing regulations rather than the flow of new ones. Although this is perfectly useful, it seems unlikely that it will do more than chip away at the regulatory edifice. The resulting changes will be limited in scale.

Second, they do little to address the fundamental problem identified in this article – the pro-regulatory instinct that remains ingrained in the policymaking machine. Achieving this culture change requires other measures.

Culture change – the real challenge

There is no one-trick solution to the challenge of culture change. Just as in any large corporation, it requires constant effort, a range of initiatives all focused on the same objective and – above all – strongly committed leadership from the top.

One thing is clear: culture change cannot be achieved by circulating memos or issuing diktats. But a combination of the following ideas should start to make some impact.

1) Change what people do

First, changing the things that people are expected to do often leads to a follow-on change in attitudes as well. The IoD's own Director General, Miles Templeman, often talks about the changes he has implemented during his business career. In each case, fresh attitudes and a new approach followed on from changes in roles, tasks and processes.

So requiring would-be regulators to jump through more hoops by preparing Regulatory Impact Assessments, conducting small firms impact tests, considering small firm exemptions and carrying out post-implementation reviews will have an impact on their attitude. After all, if there are two ways of doing a job, it's only human nature to opt for the route of less resistance. And if the easier path is the one to a non-regulatory outcome, all the better. Eventually, opting for the light-touch option becomes second nature.

And there is no reason to confine ourselves to modest changes to civil servants' responsibilities. Why not change the roles of the institutions themselves? One of the most significant recent changes at EU level has been the dramatic reduction in the size of the European Commission's 'Work Programme'. The Barroso Commission deserves credit for its view that less legislation of better quality is the way forwards. The other EU institutions should now follow suit.

The European Parliament, in particular, could take the opportunity to spend less time on scrutinising new legislation and more on reviewing existing laws. The challenge, of course, would be to ensure that these reviews lead to a reduction in the burden on business, not the addition of new bells and whistles that pile even more costs onto companies.

Many of those bolt-on additions result from politicians' infuriating tendency to see themselves as a technocracy. By tweaking a policy here and adding a new provision there, 'the system' can be used for all kinds of social engineering for which it was never designed. The Chancellor's endless tinkering with the tax system provides a classic example. Instead of simply collecting the revenue needed to fund public services, fiscal policy now attempts to serve all manner of ends, from strengthening family life to boosting rates of investment in research and development. No wonder Tolley's *Yellow Tax Handbook* has grown from 4,555 pages in 1997 to 9,050 by 2005. This technocratic social engineering has become a major cause of complexity and over-regulation.

2) Carrots work

The second route to culture change is through application of the carrot approach – incentivising policymakers to do the right thing. This requires a fundamental rethink of successful career progression in Whitehall, Westminster and Brussels.

The traditional 'virility tests' for both politicians and civil servants are all about how much governmental activity they can inspire: how many Bills can a Minister get slotted into in the Queen's Speech; how much money can he 'win' for his department in the spending review. It is much the same at EU level, where Commission officials and MEPs are judged by their effectiveness in steering legislation safely into the EU's statute book – the *acquis communautaire*.

We need to reverse these dynamics. How refreshing it would be if the career progression prizes were handed out for paring back the sum total of legislation or for reducing the burden of public spending.

It needn't be as difficult as it sounds. Just imagine if the Prime Minister were to use the next reshuffle to promote Ministers with a track record of deregulation and to sack those who had introduced costly new burdens. Once the shockwave around Whitehall had subsided, the message about the best route to career advancement would sink in very quickly indeed. The same dynamic could be created at EU level through decisions on promotion and pay rises for Commission officials.

3) Leadership matters

What emerges from this argument is the importance of the third factor in culture change – consistent leadership.

Although Ministers and EU leaders talk a great game on Better Regulation, there is still a nagging feeling (some would put it much more strongly) that the words are not being matched by action. We are still a long way from the stage at which IoD members start to notice a real reduction in the regulatory burdens on their businesses.

The perception is that Ministers could still do more to send the right signals around their departments. How often, for example, do Ministers refuse to sign off Regulatory Impact Assessments because they fail to take sufficient account of the needs of small businesses? How often do Ministers order officials to look at non-regulatory alternatives? Just how tough is the interrogation meted out to departmental Ministers by the Prime Minister's Panel on Regulatory Accountability?

The answers to these questions are clouded – perhaps quite properly – in Whitehall secrecy. Policymaking cannot be played out completely in public. But if we judge by results, the conclusion is that Ministers are still not matching their public pronouncements of good intent with tough action behind the scenes.

For example, it is only a few months since the Government accepted the recommendation of the Better Regulation Task Force (now the Better Regulation Commission) that it should adopt a 'one in, one out' approach. In other words, every time a new regulation is introduced, an existing burden should be removed. It is a crude, but useful discipline.

Yet when the Department of Trade and Industry recently published its twice-yearly list of forthcoming regulations, there was no mention of any matching plans to scrap existing rules. It was not so much 'one in, one out' as 'one in, nothing out'.

Ministers must do better, and the most senior figures in the government must take the lead in demonstrating that the Better Regulation agenda really matters.

The buck stops with us all

This article has concentrated on how we can get politicians and their advisers to adopt a less risk-averse approach to regulatory policymaking. But we cannot simply pass the buck to them. After all, politicians are only responding to the pressures that we, the electorate, place upon them. And it is easy to see how the pressures for governmental intervention – from the media, pressure groups and the population at large – often make regulatory outcomes inevitable and hands-off responses politically impossible.

Ultimately, society gets the regulatory outcomes it deserves. If society itself is risk-averse, we can hardly blame our political leaders for following suit.

The conclusion is a sobering one: we all have to take a share of the blame for our over-regulated European economy and we all have to play our part in tackling it. Leaving it to the political classes simply will not do. If we really want to reverse the tide of regulation, we all have to accept our share of the challenge.

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Beyond Kyoto

by Carlo Stagnaro

According to the European Environment Agency, the European Union will not be able to meet its targets under the Kyoto Protocol. In fact, all else being equal the EU will achieve just a 1.6 per cent reduction of greenhouse gases emissions under the baseline year, to be compared with an 8 per cent reduction goal. 'Failure' is just a delicate euphemism to describe the situation. Despite rising criticism from Member States – who are slowly realising that the climate treaty is not without cost – and the several steps forward taken by the international community, Brussels keeps waving the Kyoto flag. So, why?

The question may seem trivial, but it isn't. The European Union and other developed countries are implementing policies that will have a significant impact on their economies. Of course the common answer to this question is: anthropogenic emissions are warming the planet to unprecedented temperatures, so we must do something to counter such a potentially harmful trend.

Now, assuming that man-made emissions are the real cause of climate change *and* as a consequence climate will change for the worse (two assumptions that may be questionable), another question arises. Does Kyoto work? Indeed, if a kind of 'cap & trade' strategy could lead to less emissions, thus less warming, the EU may be on the right track.[1] A third question, one that is rarely taken into account, is whether Kyoto is the most efficient, or the least costly, method of curbing global warming; and, if not, which strategy should be followed?

According to the alarmists, global emissions should be cut by 60 to 80 per cent to mitigate global warming, i.e. slowing climate change and keeping average temperatures at normal values whatever that may mean. (Temperatures have been fluctuating since the world was created. There is no such thing as a normal average temperature.)

However, Kyoto aims to reduce emissions levels in a select number of developed countries by a few percentage points below 1990 levels. Assuming that all of the signatories implement the Protocol, the effect on global emissions would be negligible. According to 2001 data, industrialised countries account for less than 50 per cent of global emissions. Were they all to cut their own emissions by as much as 10 per cent, the overall reduction would be less than 5 per cent – far less than the supposedly needed 60 to 80 per cent. Moreover, as time passes developing countries emissions will grow both in their absolute value and relative to the developed economies. For instance, according to Energy Information Administration projections, industrialised countries will account for 45 per cent of global CO_2 emissions in 2015 and will further decline to 42 per cent in 2025 despite an increase in the absolute value of emissions.[2]

Kyoto supporters know this all very well. They are aware that actions taken to limit emissions make no difference in global trends, unless all of the big emitters are involved. For strategic reasons they tend not to mention this part of the process, because they regard Kyoto as a first step towards stricter controls. They also know that international debate has acknowledged most of the limits of the logic behind the Kyoto Protocol. While the US has always refused to ratify the Treaty – still promoting alternative strategies, such as those embodied by the Asia & Pacific Partnership on Clean Development and Climate, that includes big emitters such as India and China – European leaders are starting to recognise that Kyoto is not the only way to get there from here (and possibly it doesn't even get us there at all).

At last summer's G8 meeting in Gleneagles, Scotland, the leaders of the eight most industrialised countries agreed (although they didn't put it this way) that seven of them were wrong and just one was right. The one was President Bush.

The extent to which the 7 others have endorsed the American position on Kyoto doesn't lie just in the fact that the Kyoto Protocol is not even mentioned in joint Gleneagles documents on climate change – as White House negotiators had asked not be done long before the meeting.[3]

True, Bush conceded that there is an anthropogenic component in global warming. But that is and was more than obvious: everybody agrees that CO_2 and other greenhouse gases do warm the climate (otherwise we wouldn't call them 'greenhouse' gases!) and everybody agrees that humans emit greenhouse gases through the combustion of fossil fuels. What everybody does not agree upon is how much man-made emissions affect the climate or, to put it otherwise, what portion of the observed warming is due to human emissions (the remaining part being due to natural causes that man has no power to control or mitigate). Indeed scientific uncertainty is explicitly recognised.

That said, the Gleneagles joint declaration claims that:

- *"Climate change is a serious and long-term challenge that has the potential to affect every part of the globe;*
- *Secure, reliable and affordable energy sources are fundamental to economic stability and development;*
- *Reducing pollution protects public health and ecosystems. This is particularly true in the developing world;*
- *Around 2 billion people lack modern energy services. We need to work with our partners to increase access to energy if we are to support the achievement of the goals agreed at the Millennium Summit in 2000."*

Climate change is no longer 'public enemy number one'; poverty is. Global warming is to be addressed in a way that doesn't prevent less developed societies from growing. Also, developing economies can't be left out of the process because that would cancel any efforts by the developed world. Thus, there is no trade off between economic growth and the environment: the two go together.

That results in a new way to address climate change, as described in the Gleneagles declaration:

- *"Promote innovation, energy efficiency, conservation, improve policy, regulatory and financing frameworks; and accelerate deployment of cleaner technologies, particularly lower-emitting technologies.*
- *Work with developing countries to enhance private investment and transfer of technologies.*
- *Adaptation to the effects of climate change due to both natural and human factors is a high priority for all nations."*

In the Gleneagles documents there is no mention of 'cap & trade' or mandatory limits to emissions. Rather, there is the

awareness that emerging economies are playing a key role in creating the problem – so the problem can't be solved by developed countries alone, as is the fatal conceit behind Kyoto. Possibly more important, there is the acknowledgment that to pursue long-term reductions you need cleaner technologies – not bureaucratic mechanisms – and to have cleaner technologies you need societies that are wealthy enough to invest in R & D on the one hand, and to afford a widespread adoption of new technologies on the other.

Not everyone is hiding their true feelings. David King, the chief scientific advisor to the British government and a notorious alarmist, suggested that, *"China and India should no longer be exempt from emissions reduction targets. In the next phase, we need to discuss with China, discuss with India how to [make them] come aboard the process. It would be fair to say the Chinese government is very much aware of this problem and the Indian government is keen to listen to what we have to say.*"

Chinese and Indian representatives were strongly opposed to joining such climate policies. In fact during the COP10, the climate conference held in Buenos Aires in December 2004, they made it clear that they have no intention to implement CO_2 emission cuts, because it would prevent or slow their economic growth. They made exactly the same point in the Montreal meeting in December 2005.

Kyoto supporters, nevertheless, will not give up. They will likely look for some kind of trade-off, as they did with Russia. President Vladimir Putin set a target of doubling GDP by 2010, a goal incompatible with cutting emissions. But the EU forced the Kremlin to change its mind, promising it would make no objection to Moscow joining the WTO if it chose to ratify Kyoto. Putin had to accept. The process led Andrej Illarionov, then chief economic advisor to the Russian President, to liken Kyoto to the Gosplan and Soviet central planning. He accused the EU of imposing 'Kyotism' on Russia and said that during the 20th Century, Russia seriously suffered from another ideology that came from Europe, referring to communism. As a result, his voice became less and less listened to inside the Russian administration, until he ultimately had to resign.

In fact, there is an inherent imperialist temptation in the climate treaty. Paul Driessen's book, *Eco-Imperialism,* largely deals with the implications of Kyoto.[4] He shows that, if you put aside the questionable theories underlying the climate treaty, the single most important cause of pollution is poverty. Thus, if you sincerely aim to reduce the former, you have to defeat the latter and only free market institutions provide an efficient way to do that. However, most international organisations, including the EU and the UN, stick with Kyoto. So do some corporations. Why?

Climate policies are redistributionist policies, so the recipients of redistributed money (for example, the renewables industry) have an incentive to support them. Other industries are lobbying their governments to be protected from foreign competition. Environmental regulations work as non-monetary trade barriers, since they result in the exclusion of some potential competitors (that are not able to meet the requested standards) and cause higher costs, and thus less competitiveness, for others. Finally, as Driessen puts it, "*The EU's self-interest is highly visible in its insistence that Ireland, the United States, Eastern Europe and other nations adopt a system of global tax equity or tax harmonization. This is bureaucratic code for compelling the United States to raise its taxes to EU levels, to prevent disruption and eliminate unfair and harmful tax competition.*" In other words, most EU governments are willing to make economic life more difficult in order to maximise their power over society.

If this is true, one has to admit there is nothing noble in promoting climate policies. Nor could their outcome be desirable. Inefficient industries and politicians in power would be winners, but everyone else loses.

1 'Cap & trade' strategies can be defined as systems that are designed to increase the efficiency of the process aimed to reducing pollution. Under such a system, a regulator fixes a cap that limits the emissions for certain groups of polluters. The emissions allowed under that cap are divided up into individual permits, which can be bought and sold by the owners. Therefore, those who aren't able to limit their emissions will have to buy allowances from those who can succeed in it. The ratio of such a mechanism is to shift the burden of cutting emissions to where it is cheaper, while giving the more carbon-intensive companies a possibility to keep working by paying a relatively lower cost.

2 Energy Information Administration, *International Energy Outlook,* www.eia.doe.gov/oiaf/ieo/pdf/ieoreftab_10.pdf

3 See Gleneagles declaration on *Climate Change, Clean Energy and Sustainable Development*, www.fco.gov.uk/Files/kfile/PostG8_Gleneagles_CCChapeau.pdf and *Gleneagles Plan of Action,* www.fco.gov.uk/Files/kfile/PostG8_Gleneagles_CCChangePlanofAction.pdf.

4 Paul K Driessen, *Eco-Imperialism: Green Power, Black Death,* (Merril Press, 2003) or visit www.eco-imperialism.com.

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Engaging with the EU Brings Benefits to UK Businesses

Has your company ever been caught up in labyrinthine EU legislation? Having a hard time understanding how it all works? ***Amelia Knott*** *of the Industry and Parliament Trust gives some simple, sound advice.*

Given that the EU has a profound influence on every UK company, it makes sense for businesses to dedicate time and effort to engaging with the EU, in particular by understanding how the EU operates. In this way, they can be forewarned of the challenges and able to take maximum advantage of the opportunities that the EU may provide. Without full understanding, there can be no engagement and without engagement, businesses and the European Union will equally lose out. Currently, however, there is a distinct lack of engagement by both individuals and industry with EU institutions, processes and throughput. Where companies do engage, it is often too late to have any impact.

The EU and its legislation affects every company's operations

There is no doubt that UK business is directly affected by the EU's legislative measures. The Single Market changed the face of world trade. As a result, many matters that affect business inevitably became the responsibility of the European Union. The areas encompassed by European legislation spread across all business operations, for example competition law, health & safety and employment regulations, marketing and data protection directives, waste disposal and energy and environment policies. Current hot topics include a move to create a more efficient Single Market in services (the Services Directive) and the 'Community Approach for the Information Society'.

Companies can engage actively with the European Union by knowing more about how the EU operates

To 'engage' with the European Union means much more than having the ability to read and apply legislation and regulations emanating from Brussels. Companies need a thorough understanding of how the institutions themselves operate and interconnect so that they can involve themselves effectively in the consultative and legislative process. Engagement requires an immersion in the culture and structure of the EU rather than simply a passive recognition. Similarly, those involved in the EU must attempt to understand the culture and structure of companies and industry sectors.

Start your engagement at the earliest stages of the legislative process

Do not wait until EU legislation is enacted in the UK before reacting. Laws reach the UK after lengthy debate in the EU over many years – giving companies plenty of time to understand the implications, develop responses and argue their positions. Waiting on the sidelines and grumbling afterwards is ineffectual. By accessing information about forthcoming legislation at a much earlier stage of the process, businesses can help contribute to the formulation of EU legislation.

How can you exert significant influence on EU policy before the legislation goes through the machine? The key is to look for issues not yet proposed (and therefore not yet concrete). These can be found in the forward programme of the European Commission and by making contacts at the European Parliament to find out which things are of particular interest to the committees. If issues look likely to become firm proposals, companies need to act quickly if they want to contribute to the debate and have their say.

Learn how to make the most of available resources

There is an extensive range of relevant and informative resources available to businesses attempting to involve themselves more in EU legislation. The Europa website,[1] described as the 'Gateway to the European Union', provides detailed and up-to-date information on all aspects of European Union operations. There are also several newsletters and bulletins such as *EUBusiness Week*[2] which provide useful round-ups of current issues.

Special interest groups exist covering different industries and aspects of business operations. Events and conferences are held frequently around Europe on topics such as 'Competitive Advantages for SME' or 'Trade Liberalisation'. The legislators themselves are often only too willing to hear business perspectives on a matter, as long as they are timed correctly. Indeed, this is one method that that businesses can help hold the European Union as a whole to account.

How to deal with both the challenges and the benefits of EU membership

The structure and diverse membership of the EU brings significant challenges for business. The European Union is a vast and complex machine which, like business, has the usual problems in operating smoothly. The 25 Member States have their own individual (and often multiple) cultures, histories, social make-up and commercial networks, internally and externally. As a result, there are many practices that take place in other Member States which are contrary to the prevalent philosophy in UK industry. For example, some Member States believe strongly in the existence of large public utilities that are able to provide an identical service to each one of their citizens by carrying costs and subsidising from one side of the company to the other. In the UK by comparison, the focus is on efficiency and competition.

An increase in Member States in the future will compound the challenges, but also bring with it opportunities and benefits to the UK. To integrate an even greater range of attitudes and diversity of economies, UK companies will need to adapt their approaches accordingly – lending support to the argument for better understanding and richer engagement.

1 http://europa.eu.int/index_en.htm
2 www.eubusiness.com

Amelia Knott is the Communications Manager for the Industry and Parliament Trust, a registered charity that runs study programmes in Brussels aimed at equipping company delegates with the skills and understanding required to deal with the multi-faceted issues thrown up by the UK's membership of the EU. Delegates spend time in the European Commission, the European Parliament and the Council of Ministers, meeting those involved at the very centre of the EU.

Legal Digest

*The Legal Digest is a new, regular column in which **Dirk van Heck**, barrister and former Head of Research at the European Foundation, comments on developments at the legislative coal-face of the EC/EU.*

Commission Communication on EU-Latin American Relations

This communication heralds an effort to *"renew the strategy that has been followed for the last decade."* The Minister for Europe, Douglas Alexander, has presented this strategy principally as a positioning of the EU as a major development partner of Latin America. Indeed, *"community co-operation with Latin American countries should have poverty eradication as its main objective,"* he says.

This is not the main objective according to the Commission Communication, however, which states that Latin America shares with Europe *"a common commitment to human rights, democracy and multilateralism. Europe needs all its friends in order to assert these common values."* It is therefore envisaged that a strategic partnership will be forged, through a network of association agreements, in aid of the growth of Europe's new moral imperium.

In the case of Latin America specifically, however, this looks like Europe jockeying for influence on traditionally US turf, at a time when NAFTA membership may be on the table for much of Latin America but also at a time when there is a preponderance of anti-US feeling, expressed by a number of vocal, socialist governments in the region. This may be the reason for the Commission's timing in relaunching the strategy, and also a reason to think that it may have more success now than it has had previously.

The House of Commons European Scrutiny Committee, meanwhile, expressed a number of factual reservations about the warm words of the Commission and the Minister towards Latin America, when set against the background of conflicts between Brazil and the EU in the current Doha Development Round and the discriminatory action taken at Argentina's instigation with regard to European companies doing business with the Falkland Islands. Moreover, the Committee expressed itself unclear as to how the objective of eschewing burdensome new structures would be assisted by the creation of a further inter-parliamentary forum, as proposed.

Draft Decision of the Council and European Parliament on the Competitiveness and Innovation Framework Programme 2007-13 (CIP)

The Decision is aimed at establishing a €4.2 billion Competitiveness and Innovation Framework Programme for 2007-13 (CIP). This is designed to replace the 2001-06 Multi-Annual Programme for Enterprise and Entrepreneurship (MAP) and aims, in the context of the Lisbon Agenda, to improve the overall business environment for small and medium-sized enterprises (SMEs).

CIP is to have three sub-programmes: the MAP and those existing Community programmes that contain actions in the areas of innovation and eco-innovation in an Entrepreneurship and Innovation Programme (EIP); an ICT Policy Support Programme to promote greater Information and Communications Technologies uptake; and better use of innovative development of energy resources in an expanded Intelligent Energy-Europe Programme.

In commenting in its 4 July 2005 Report, the European Scrutiny Committee noted that no real attempt had been made to explore alternatives or to demonstrate how the proposed approach was likely to be any more successful than the MAP, where progress was described as *"at best patchy"*, in the face of Commission assertions that it (the Commission) alone was capable of addressing *"market failures"* by expanding its involvement in this area.

The Minister responded by acknowledging that MAP was its own worst enemy because of poor evaluation; that the impetus behind the CIP is essentially political and that it is poorly drafted and confusing. He argued that greater clarity has now been introduced, that management arrangements will promote *"synergies"* and that proper evaluation mechanisms will inform successor structures in a way that MAP could not.

The Government's underlying thinking, however, is in agreement with the Commission's (supra) statist, interventionist approach to enterprise, which remains reflected in the Draft Decision. Research is said to demonstrate *"that there are indeed clear market failures that do require intervention,"* for example the joint DTI/Treasury report, *Bridging the Gap,* which *"showed that early stage venture capital provision in Europe lags behind that in the US where long established government intervention has significantly stimulated the US equity market."*

Accordingly, *"in the Government's assessment, coordinated support across the EU – rather than leaving it to the private sector or Member States to act independently – is needed to encourage and enable Member States collectively to meet the challenges presented by the US. As the Committee's report notes, we also have to meet the challenge of the rapidly industrialising economies of China and India."*

Alternatives to coordinated support across the EU which might be undertaken at Member State level include simplification of the tax system and the reduction of corporate tax rates, which have helped Ireland and Latvia to become two of the EU's most dynamic economies. It is also notable that the most successful organisation in the UK when it comes to assisting SME start-ups is The Prince's Trust – a flagship of the voluntary sector.

Facilitating 'social entrepreneurship' is a key message of David Cameron's Conservative Party and there are signs that the role of the state in this area is envisaged as a key battleground at the next election. It will be interesting to see whether expensive, bureaucratic EU measures designed to stimulate SMEs, but which have a history of failure in doing so, will be resisted by the Opposition in the UK.

Commission Report on the Single Market in Financial Services

The Commission Report confirms that 98 per cent of the actions due to be taken under the Financial Services Action Plan have been completed by their deadline. It also notes the publication of the Commission's White Paper on financial services policy for 2005-2010: the next raft of legislation in this area is thus already on its way.

The Report notes that the transposition, implementation and enforcement of legislation is the core issue in this area for Member States, and that they must make improvements on their rate of transposition of directives, reminding them that the Commission can now track transposition status in each Member State on its website.

In particular, the Report notes that the transposition and effective application deadlines for the Markets in Financial Instruments Directive have been extended, in parallel with the continuation of work

on finalising the MiFID. It looks forward to the completion of the Third Anti-Money Laundering Directive and anticipates a decision on the necessity of EU intervention as regards clearing and settlement.

The Report also notes the Commission's belief that integration may be lagging behind in the area of retail financial services and suggests that new measures could be introduced in this area.

Draft Common Position on Restrictive Measures Against Supporters of ICTY Indictees

The Draft Common Position aims to renew for a further year the existing Common Position on action against people supporting fugitive ICTY (International Criminal Tribunal for Former Yugoslavia) indictees. The current Position was due to expire on 16 March 2006, just days after the untimely death of Slobodan Milosevic and one of the witnesses in his trial.

The Minister explained that he continued to believe that maintaining the travel restrictions under the Position will severely hamper the ability of relatives and supporters of persons indicted by the ICTY who are still at large, such as Radovan Karadizic and Ratko Mladic, to harbour and support these suspected war criminals.

The Minister also asserted that the recent transfer to The Hague of Ante Gotovina would not have happened without the EU's robust stance on ICTY conditionality. What he declined to go into was the implication that the Croatian Government, keen not to be denied the start of EU accession negotiations, finally shopped Gotovina, who was found in the Balearic Isles.

First Reading Position on the Proposed Directive on an Internal Market for Services

Following an eleventh-hour compromise between the PES and EPP-ED, the European Parliament has finally adopted its first reading position on the proposed Directive on an Internal Market for Services, the PES claiming that the country of origin principle had been excised, whilst the EPP-ED maintained that nothing in the revised Directive would affect the principle as enshrined in the existing Treaties and ECJ jurisprudence, which could be used in conjunction with the proposed Directive against a Member State which was erecting barriers to the internal market in services.

The British Conservative MEP Malcolm Harbour was given the key position of Shadow Rapporteur for the EPP-ED in these negotiations. Thanks to the influence of his 'old Europe' colleagues, however, the result from the pro-market point of view was so weak that Harbour was forced to draw up a 'compromise' EPP Whip whilst the rest of the Conservative delegation had a pro-market whip. Effectively, the price of holding a key negotiating position for the EPP was the Conservatives' influence in the negotiations.

It is said that opinion was united in one regard: that if the proposed Directive were to be enacted in the form now proposed, the degree of legal uncertainty created by the ambiguous text of the compromise, and subsequent implementing legislation in Member States, would result in substantial extra case-load for the ECJ – which will have the result of extending the existing two-year wait for cases to come to court.

The widely reported left/right divide on the Directive appeared to be supplemented by a bloc of opposition from MEPs from the recently acceded States, as both PES and EPP MEPs from the new Member States were notable to their opposition to the compromise both in debate and in the final vote. The adverse discrimination felt by the new Member States, who retain lower operating costs and wage rates and find most EU15 Member States' labour markets still closed to their citizens, is unlikely to be assuaged by empty words about the completion of the internal market.

The Temporary Committee on US Extraordinary Rendition

The EP's Temporary Committee on the alleged use of European countries by the CIA for the transportation and illegal detention of prisoners (TDIP) held its first substantive meeting on 13 February. The Committee intends to visit the US and has apparently already been offered meetings with Colin Powell and Condoleezza Rice (the last time the EP attempted to investigate the US administration, during the work of the temporary committee on the Echelon interception system, MEPs were refused access to senior members of the administration and ended up boarding flights, empty handed, within hours of their arrival).

It was observed by several MEPs that, since the Committee would be operating in a quasi-judicial capacity, the standard of proof required to support any conclusions would be the criminal standard of beyond reasonable doubt: it would be wrong to accuse any country of supporting the practice of illegal extraordinary renditions if there was not conclusive proof.

It was envisaged that national parliaments would be invited to assist in answering the following questions derived from the TDIP's mandate:

1 Has the CIA carried out rendition flights and torture on EU territory, including acceding, candidate and association countries?

2 Have EU citizens or citizens from acceding, candidate and associate countries been abducted?

3 Were the Member State's authorities aware, informed or complicit?

4 Have EU/EC law, national legislation, and/or international and bilateral conventions been violated?

At a subsequent exchange of views between the Committee and Commissioner Frattini, the Commissioner called upon Member States to ratify the EU-US extradition treaty signed in 2003, as this would clarify many of the difficult issues under discussion. It was confirmed by the Commissioner that extraordinary rendition would be raised at the June 2006 EU-US summit. It is said that he would not be drawn by goads from some MEPs who wanted to know whether he had collaborated with the CIA during his time as an Italian Government Minister.

Debate on Freedom of Expression and Respect for Religious Faith

On 15 February, the EP held a debate on freedom of expression and respect for religious faith, following the publication of certain Danish cartoons of the Prophet Muhammad and subsequent demonstrations by Muslims worldwide.

Commission President Barroso condemned the violent reactions against the EU office in Gaza and against the missions of several EU Member States in the Middle East, thinking that it was ironic that these missions were being attacked when much of their work was aimed at improving the lives of the people in the Muslim countries where they operated. He said that a trade boycott was not an appropriate way of addressing the issue and that a boycott against Danish goods was by definition a boycott of European goods.

The EP group leaders largely reflected Barroso's views, EPP-ED leader Hans-Gert Pöttering adding that the Barcelona process of Euro-Mediterranean dialogue needed to be strengthened and enhanced. In an echo of respect for the principles underpinning NATO (and by implication their application to the EU), the speaker for and President of the PES, former Danish Prime Minister Poul Nyrup Rasmussen, told MEPs that an attack on one Member State was an attack on the entire EU. Collective retaliation, or indeed any action, however, is not expected to result from the debate.

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De-Regulate or Dwindle

The following is an excerpt from the fourth pamphlet in a series from Research Centre Free Europe (UKVE) published since the referendums on the EU Constitution. In The Bad Bet: Economic Failure of the European Union*, the Rt Hon.* ***John Redwood****, MP, lays down a challenge to the governments of Europe and says, "If they wish to advance the prosperity of all their citizens, they need to change gear, by cutting tax rates and reducing regulation."*

The third big reason why the European Union economies are lagging behind lies in over-regulation. The European Union is primarily a legislating and regulating institution. It delights in poking into the minutiae of every day life. For every production process, for every product, for every animal on the farm, there is a regulation and a piece of paper. EU officials delight in forcing EU companies and farmers to fill in an ever increasing number of forms, to apply for an ever increasing number of licences, to work to a mind blowingly complicated system of quotas, recipes and menus, and expect EU businesses to be compliant with the 2,500 new regulations and directives that pour from the printing presses every year.

When the British presidency of the European Union in the 1980s pushed the partners to make a reality out of the dream of a Common Market, the bureaucrats responded by coming up with some 300 legislative proposals which they said in those days were absolutely crucial to the establishment of a Common Market. It was an absurd proposition. All you need for a Common Market between any group of countries is a single rule. The rule states that if a product is deemed to be of merchandisable quality in state A and can be offered for sale there, then similarly it should automatically be deemed to be of merchandisable quality in state B and could be offered for sale there as well. This does not mean that French people have to buy Yorkshire puddings or that English people have to buy French wine. It just means that because the French authorities are happy that claret is of saleable quality in Bordeaux, so the English authorities should automatically accept such products for sale in Britain suitably labelled. Conversely, if a Yorkshire pudding product is on offer in an English supermarket there should be nothing standing in the way of its maker trying to offer it for sale in France. Whether French people wanted to buy the Yorkshire pudding or not is a matter of taste and marketing skill for the British company. It should not be banned by law from market entry nor should it need a special directive to gain it market entry.

The whole form of the European Union is of a legislating club. The rotating presidency which gives the chair of the Union to a different member every six months encourages more and more unnecessary legislation to pour from the legislator' pens. The Commission is very astute at playing presidencies off one against another. It visits the country concerned, gets the measure of the administration in charge, and decides which proposals in its large stockroom of unlegislated proposals are likely to appeal or could be foisted upon the incoming presidency government. There is something for everyone in the legislative cupboard. For the French there are social regulations that raise the cost of labour and give people the false impression of better protection in the workforce. For the British there are so-called market opening proposals which offer the hint of more free trade and more competition, particularly in the service sector. For the poorer countries of the east and south there are measures to beef up and stimulate the structural funds, and to encourage more EU financed projects. Each presidency is persuaded that it needs to achieve something during its brief six-month period, and achievement usually means more legislation to burden the businesses and people of the European Union.

In the year 2000 in Lisbon the heads of government met together and agreed the so-called Lisbon Agenda. As early as the year 2000 they were becoming aware of the way in which the European Union was falling further and further behind the United States of America, and was failing to match the super growth rates in parts of Asia. They were also persuaded that part of the problem lay with over-regulation, the very thing that the EU excels at. They laid down that in future there would be better regulation throughout the Union and less regulation. Unfortunately the Commission never had any intention of implementing these wishes, and decided to interpret the less regulation as meaning on a good day fewer new regulations being added today than were being added yesterday. It still meant adding more regulations. Worse still, since the agreement in 2000, the weight and importance of an individual regulation has gone up as the EU has attempted to regulate ever more complicated and important areas of life, with ever more detailed directives and regulations…

… The French and the other advocates of ever more regulation in the EU claim that it is the better regulation which distinguishes the EU from the raw edges of American capitalism, and provides it with a friendly, social face. They believe that social solidarity is encouraged by endless labour market regulation. They draw up a wish list. Wouldn't it be nice if everybody could work shorter hours? Wouldn't it be good if part timers could have all the same terms and conditions proportionately to full timers? Wouldn't it be great if every woman could have a year off to have a baby when she wished? And why should fathers be left out, shouldn't they too have the benefit of paternity leave? Why should drivers have to drive through the night or drive for long hours? Why should doctors have to work longer than a standard week?

To discover John Redwood's answers to these questions, you may wish to obtain a copy of *The Bad Bet*. – see the advertisement on page 30

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Intelligence Digest

by John Laughland

Austrian Eurosceptics have another go

Heinz-Christian Strache, the leader of the Freedom Party of Austria, has initiated a popular initiative with the title *"Austria, stay free"*. The Austrian Constitution allows citizens to present a law to Parliament if they gather enough signatures. The stated aim of Schanze's initiative is to require a referendum on the EU Constitution and Turkish accession but he has been saying in public that the aim is 'to stop EU madness'. Although only 258,277 voters have signed the initiative, which puts it in 21st place out of all such initiatives in the post-war Austrian republic, the fact that so many signatures were collected in polling stations while the weather has been so cold shows that people do care about the EU. Pollsters have also found that Schanze mobilised above all Social Democrat voters, i.e. not people from his own right-wing party, although the Social Democratic Party itself has vehemently contested this finding. In any case, the initiative needs only 100,000 signatures for a Bill to be presented to Parliament. [*Die Welt*, 15 March 2006]

In addition to this, Hans-Peter Martin, an Austrian MEP who has denounced corruption in the European Parliament and who now campaigns against the EU, might stand in the general election this autumn. Martin runs a website which regularly exposes EU fraud and excess; he claims there that if he ran a national list at the next elections, it could win between 17 and 25 per cent of the vote. This may be optimistic but people in Austria are already asking whether he might come third (after the Greens, the Social Democrats and the Christian Democrats) which would itself be a sensation. [see www.hpmartin.net]

These speculations have been fuelled by the fact that the Freedom Party formerly led by Jörg Haider has more or less collapsed. This follows inclusion of the party in the governing coalition in 2000, which caused huge controversy at the time. The FPÖ has long since collapsed into two rival formations, one of them led by Haider and now called the Alliance for the Future of Austria (BZÖ), the other led by Strache. The FPÖ has now lost three out of its five deputies who defected to the BZÖ but both parties are low in the polls (FPÖ between 6 and 8 per cent, BZÖ between 2 and 3 per cent; you need 4 per cent to be elected to parliament in Austria).

Franco-German relationship slightly tense

The first meeting of the French and German cabinets since the election of Angela Merkel as German Chancellor took place in Berlin on 24 March. Franco-German relations are not currently at their best. Ms Merkel came to power promising to re-balance her country's European policy, specifically to water down the relationship with Paris in favour of better links with Washington. On the French side, a certain amount of 'economic patriotism' there has not gone down well in Germany. Ms Merkel's right-hand man, the minister in the Chancellery, Thomas de Maizière (who is the cousin of the last Prime Minister of East Germany, Lothar de Maizière) criticised France's attitude to the fusion between the Italian company ENEL and Suez on the BBC: this German hostility to France's reluctance to see her industries bought by foreigners is surprising in view of the fact that the Germans have very restrictive laws and practices themselves in that regard. Yet numerous sources within the governing CDU say that they are reluctant to propose any projects of industrial cooperation with France for fear of her protectionist instincts. The Germans also feel that France is politically paralysed now until the presidential elections in 2007 and that nothing significant can be agreed with Paris until a new President has been elected. [Antoine Jacob, *Le Monde*, 14 March 2006]

A place in the sun

France and Germany did agree, however, to participate in an EU military mission to the Congo: the fate of that country, it seems, is always to be ruled by Brussels. But Ms Merkel and Mr Chirac said that numerous conditions needed to be fulfilled before the final green light was given. These included the agreement of the Congolese government, a United Nations mandate and a clear 'time perspective'. Ms Merkel said that a number of European countries had indicated that they would also participate. She added that no final decisions had been taken but that the time for taking decisions was drawing closer. The United Nations has asked the European Union to help with the Congolese presidential elections on 18 June. The Europeans are supposed to help the UN troops who are already in the country. Just what an EU intervention could look like is unclear. One scenario being discussed in Brussels is that between 200 and 450 European soldiers might be stationed in Kinshasa. An extra 800 soldiers might be sent to the rest of the country (which is the size of the whole of Western Europe put together). German army officers are concerned about the deployment, saying that the constitutional position, their armament and even the injections the soldiers will need have not been explained. The Chairman of the German Army Union, Bernhard Gertz, attacked Javier Solana, the EU Foreign Minister, saying that the idea of sending 1500 EU soldiers to oversee the Congolese elections was 'show business' which would put the lives of German soldiers at risk. The current UN deployment has some 17,000 soldiers, stationed mainly in the East where there is serious fighting with rebels.

France wants EU immigrants gradually

France is planning to adopt a progressive approach to EU immigration when the transition period is over. Currently people from the EU states in Eastern Europe who joined in 2004 are not allowed to work in any other Western EU state except in the UK and Ireland. On 13 March, the French cabinet decided on the principle of a 'progressive opening' of borders which would start in those areas and professions where France needs workers. The list of these professions will be finalised in the coming weeks 'in agreement with the social partners', i.e. with the unions and other interested parties. Paris is to inform the European Commission by 1 May whether or not it intends to continue with the transition period, which old EU Member States are allowed to do for a maximum of seven years. In the Senate and the National Assembly, a large majority of parliamentarians has called for the current restrictions to be lifted. The government wants to start with an experimental period of 18 months in the sectors where it judges there is not risk. [Henri de Bresson, *Le Monde*, 14 March 2006]

Immigrants continue to flood into Spain

Twenty-four corpses were fished out of the sea by the Spanish navy off the coast of Mauritania and some 400 nautical miles south of the Canary Islands: these were doubtless people from sub-Saharan Africa who were trying to reach the Spanish islands in order to reach the Canaries where they would have doubtless claimed political asylum. Such people are often transported in fishermen's boats carrying between 40 and 60 people and there are often shipwrecks. Some of the dead were wearing lifejackets, some waterproof clothing, and one of them even had a GPS positioning system. In recent weeks, the number

of Africans arriving in the Canaries has risen sharply. More than 3,000 have arrived since January, and on one day (14 March) 300 arrived in a single day. The Spanish newspaper, *El País,* has said that half a million Mauritanians are waiting to get enough money to pay people-traffickers for a passage out. A number of people who were turned back at the Spanish enclaves in Morocco, Ceuta and Melilla have apparently tried to get in to Spain by this route instead. The regional government of the Canaries has called for emergency aid, saying that the temporary accommodation for 1,600 people is totally insufficient. Military buildings will be used to house the other arrivals. The government's representative in the Canaries, José Segura, has spoken of "an extraordinary human tragedy", saying that many of the boats carrying asylum seekers have sunk. Previously, people tried to sail to Fuerteventura or Lanzarote from the Moroccan coast but this route is now heavily guarded. They are now trying to make an even more hazardous journey. [*El País*, 16 March 2006]

Bulatovic says Milosevic poisoned

The former President of Montenegro and former Federal Prime Minister of Yugoslavia, Momir Bulatovic, who was due to appear as a witness in The Hague on the day Slobodan Milosevic died, has said that Milosevic was 'strongly and deeply' convinced that he was being poisoned by the International Criminal Tribunal for the former Yugoslavia. Bulatovic said that the proof that Milosevic was poisoned was that the rogue medication, rifampicin (which was neutralising the effects of the other drugs he was taking to reduce his blood pressure) was found in his blood on 12 January but that Milosevic himself was not told about the result of the tests until 9 March. Bulatovic said, "*The same people who put him in prison were the people who were poisoning him.*" He added, *"Milosevic would be alive today if he had been transferred to a hospital."* Bulatovic also said that his own testimony, which he had been unable to give because of Milosevic's death, would have provided 'crown proof' that the charges were false that Yugoslavia had been destroyed by a criminal organisation with Milosevic at its helm. [*Montenegrin Mina News Agency*, 15 March 2006]

Duma votes to dissolve Hague tribunal

The Russian Parliament has voted for a resolution calling for The International Criminal Tribunal for the former Yugoslavia to be immediately closed. It said there was no point continuing the activities of the tribunal following the death of Slobodan Milosevic, and it instructed that a letter be written to the UN Secretary-General, Kofi Annan, asking him to investigate the allegations of 'doctors who kill' following the obscure circumstances of the former Yugoslav President's death. [www.duma.gov.ru] The Parliament's statement, which is not legally binding, has accused the ICTY of applying double standards and of being 'useless'. Konstantin Kosachyov, the head of the Duma's Foreign Affairs Committee and the man who drafted the statement, accused the international court of being anti-Serb. He said, "*The problem with the Hague tribunal is that, in line with a higher political task given to it, it has established once and for all who the criminals are and that they are in Serbia, while NATO is – like Caesar's wife — above suspicion.*" Kosachyov said. The leader of the Russian Communist Party, Gennady Zyuganov, said, *"Even the most pro-American forces in Russia are now silent and ashamed, because they understand that today it is Milosevic, and tomorrow they may get to you. I think all responsible politicians and citizens are seriously asking themselves what kind of tribunal this is, what kind of mock trial, what kind of procedures these are, when one is interrogated hundreds of times for eight or 10 hours. This is enough to push anyone to a heart attack and to death."* On 15 March, a group of communists in St. Petersburg wrote to President Vladimir Putin to request that a street be renamed after Milosevic and a bust of him be erected in the city. In its 15 March statement, the Duma also called for an independent international inquiry into the circumstances of his death. Deputies accused the court of *"negligence or malicious intent."* The statement echoed earlier comments by Foreign Minister Sergei Lavrov, who on 13 March slammed the court for denying Milosevic permission to seek heart treatment in Moscow: *"The Russian Federation provided the tribunal with 100 per cent state guarantees that after the completion of the treatment Milosevic would return to The Hague. Those guarantees were examined during a special session of the tribunal, which found them insufficient. Essentially they did not believe Russia. This can only disturb us. It can only worry us that Milosevic passed away shortly afterwards."* Lavrov also said the late Yugoslav leader had sent a letter to the Foreign Ministry three days before dying. In the letter, he reportedly complained the treatment he was receiving in The Hague was harming him. The Foreign Minister dispatched a team of Russian doctors earlier this week to check the findings of the official autopsy. The Russian medical team later endorsed those findings, but raised questions about what might have caused the heart attack that killed Milosevic. [Claire Bigg, *Radio Free Europe*, 16 March 2005]

Germany empties out

The Berlin Institute for Population and Development has warned of the dire consequences of Germany's demographic collapse. It has said that immigration can no longer fill the gap between births and deaths. The birth rate in Germany is 1.36 children per woman, whereas the rate needed for the population to remain stable is 2.10 children. The German government's own statistical office has predicted that only 676,000 babies were born in Germany in 2005, in comparison to 706,000 the previous year. The only year in which the number of births was lower was 1945, when Germany was being bombed by the Allies as the Second World War came to an end. (525,000 babies were born in that year.) The EU's office, Eurostat, says that Germany and Greece were the only countries in the old EU whose population fell in 2005. The Berlin Institute says that this will mean that regions and towns will have to compete to attract people to go and live in them. Villages are already dying off, by 2020 half of Germany's countryside regions will be suffering from reduced population. East Germany is emptying out, as is the Ruhr area. The Saarland and Bremen are also suffering. The Institute says that regions will have to amalgamate: *"Saxony-Anhalt is practically unviable,"* a judgement it bases on the combination of the region's population collapse and high debt. The Institute attacked both government and trade unions, for instance, by saying that the unions were happy to go on strike over an extra 18 minutes to their working week but not in favour of better conditions for working mothers. The Berlin Institute's report concludes with a dramatic chapter entitled *"After man comes the wolf"*: with the aid of a map, it documents how wild animals like wolves and lynxes are reappearing in the parts of Germany which humans are deserting. [Die Welt, 16 March 2006; see www.berlin-institut.org/]

A large part of the problem lies in the massive and sustained economic collapse of East Germany, which according to Der Spiegel has become "an empty country." In the town of Görlitz, for instance, on the Polish border, some 20,000 (or one quarter of the city's population) has migrated to West Germany. This has caused an Polish installation artist to try to brighten the place up by illuminating apartments and putting flowers in the windows of empty flats in order to generate the illusion that there are still people there. Population experts say that East Germany will lose another one million inhabitants by 2020 because there are still plenty of people who live in the East and work in the West: they will, in time, get bored of

commuting and move to where the work is. Westerners who were encouraged to move East with subsidies are now moving West too. Saxony-Anhalt has lost 10 per cent of its population since 1990 and one local Lutheran bishop says, *"Of all the ministers, state secretaries and government officials, none are here any more."* A retired builder is quoted as saying that even old people are moving West, to join their children. *"If things carry on like this,"* he says, *"whole town will disappear."* It is also reported that women are leaving East Germany in ever higher numbers than men: this naturally means that there will be fewer potential mothers in the region, and therefore even fewer births than before. [*Der Spiegel*, 16 March 2006]

EU wants common energy policy with Russia

The President of the European Commission, José Manuel Barroso, has visited Moscow in an attempt to convince Russia of the need to build strategic energy relations with the EU. Plans include the construction of a gas pipeline from Iran and Central Asia to Western Europe across the Black Sea. Barroso said he would work towards open access for Russian energy companies to the EU energy market. [*Itar-Tass*, 16 March 2006]

The idea of signing an energy treaty with Russia was first put forward in a green paper on energy security for the EU, published on 8 March by the Commission. The idea came after the gas row between Russia and Ukraine and, in suggesting it, the Commission is treading on the toes of the Member States who generally prefer to deal with energy issues by themselves. [Philippe Ricard, *Le Monde*, 10 March 2006]

More bureaucracy to reduce bureaucracy

As part of its plan to reduce bureaucracy, the European Commission has decided to create a special new office to oversee the programme. Not only is this absurd; it also means that Brussels will oversee itself in its attempt to reduce red tape. A German CDU politician, Klaus-Heiner Lehne, has complained about this: *"Bureaucracy is being used to fight bureaucracy,"* he says. The EU Commission says that reducing bureaucracy could lead to 1 per cent more growth in Europe. The Commission claims that 80 per cent of bureaucracy originates in the Member States through national legislation and the requirement of reporting statistics. Despite this, Brussels says that it is going to revise all 80,000 pages of EU legislation to see if things can be simplified, for instance by combining Directives and making texts clearer. On the other hand, this may lead to even more red tape if discrepancies arise between national laws and the newly revised EU ones. MEP Alexander Radwan, also from the German CDU, has a better idea. *"The best way to reduce bureaucracy is not to issue any more Directives,"* he says. Radwan says that ever more red tape comes in through the back door, for instance most recently under the heading of consumer protection. This is not the first time that the EU has supposedly tried to reduce its own bureaucracy. In 1992 there were 38 recommendations for less bureaucracy, while in 1996 the 'slim' programme was announced as a way to reduce Single Market legislation. Neither programme had any success. [Christoph Schlitz, *Die Welt*, 16 March 2006]

Return of the European Economic Area

The European Parliament has said that the EU cannot absorb any further new members, thereby stepping hard on the brake at the very moment when the EU Council of Ministers has started to give new hope to the states of the former Yugoslavia and Albania that they will soon become members as well. The Foreign Affairs Committee under the chairmanship of Elmar Brok, which prepared the report, thinks though that the EU should not overextend itself. The EU Constitution, it says, has stalled, there is not enough money to fund future enlargement and the citizens are not on side. The European Parliament has suggested instead that alternatives to full membership be offered, in order to enable states to have a close multilateral relationship with the EU. Socialist and conservative MEPs united in saying that the EU must not overextend itself for fear of destroying the whole EU project. The German SPD says that a new institutional arrangement will be necessary, very comparable to the one proposed by the European Constitution, before there is any more enlargement. Ironically, one CSU MEP, Markus Feber, has suggested reviving the European Economic Area, the successor to the European Free Trade Association which Britain initially set up to counter the federalist drift of the old EEC. The European Parliament has not questioned the accession in 2008 of Romania and Bulgaria but it does question the proposed accession of Croatia, Turkey and the other Balkan states. Accession negotiations have been opened with Croatia and Turkey and Macedonia has the status of candidate country although negotiations have not yet opened. The EU is negotiating stabilisation agreements with Albania, Serbia-Montenegro and Bosnia-Herzegovina. The most problematic relationship is the one with Serbia, because the EU is demanding that Ratko Mladic and Radovan Karadzic be handed over to The Hague first. There is also disagreement about Kosovo. For instance, the United Kingdom takes the view that independence for Kosovo is desirable and inevitable. The Netherlands, on the other hand, disagrees, saying that Kosovo cannot protect its minorities and that the Serbs there need the constant protection of NATO troops. [Hannelore Crolly, *Die Welt*, 17 March 2006]

Deficit procedure against Germany sharpened

EU finance ministers have decided to turn the screws on Germany by approving the suggestion of the Commission that Germany be required meet the Stability Pact criteria by 2007. To do this, the German government will have to reduce the structural deficit by 1 per cent and the Federal Finance Minister, Peer Steinbrück, will have to show by 14 July how this goal is to be achieved. If the Commission finds the government's explanation convincing, then the deficit procedure will fall back into abeyance. But if the government does not manage to get the deficit below 3 per cent, then Germany would be liable for billions of euros in fines. The EU's monetary Commissar, Joaquín Almunía, has already told the German government that he thinks it is on the right path, which of course is also what the Finance Minister thinks. The government reckons that the deficit next year will be 2.5 per cent; Germany has been breaking the Stability Pact rules every year since 2002. Berlin's position seems to be supported by the other EU governments: Germany, indeed, is voting with the others to clamp down on itself. Steinbrück has said, though, that he does not want to be drawn on whether Germany might even bring its deficit under control this year, as some economists and the Bundesbank have suggested it might. [*Frankfurter Allgemeine Zeitung*, 14 March 2006]

Kaczynski visits Berlin

On the occasion of his visit to Germany, the new Polish President, Lech Kaczynski, has sharply criticised the attempts of some in the EU to resurrect the European Constitution. He said that if Europeans were serious about democracy then they had to recognise that the people in the Netherlands and France had voted against the Constitution. *"There are now various initiative afoot to breathe new life into the project,"* he said, *"but they stand very little chance of success."* His remarks were interpreted as a rebuke to his hostess, the new German Chancellor, Angela Merkel, who has indeed spoken of reviving the Constitution. Kaczsynski said that there might be room for a new basic treaty for Europe but that any attempts to draw one up should start over again from the very beginning. The present text, he said, was

no longer on the agenda and it would lead to *"semi-federal hermaphrodite structures"* for which the time was not right. Kaczynski also said that it was too early for there to be a European foreign minister (although the EU effectively has one, in the form of Javier Solana). There has been some speculation that when Kaczynski says that any new treaty should be based on an entirely new beginning, this is simply a stalling operation to ensure that the present arrangements, based on the Nice Treaty, be retained, since these are very advantageous for Poland. Kaczynski also repeated his plan for the states of the EU and NATO to form a security pact for energy, which he calls 'Gas Nato', which would prevent Russia from threatening individual countries with cutting off their supplies. The Polish President rejected the proposal of the German Foreign Minister, Peter Steinmeier, that such a pact could be based on the Organisation for Security and Cooperation in Europe. He said that the OSCE was not a strong enough body for the task of defending Europe's energy needs. He said that the West had tried to palm the Poles off with the OSCE rather than NATO membership but that they had quickly realised that this was *"a pure illusion."* [*Frankfurter Allgemeine Zeitung*, 8 March 2006]

In an interview with *Die Welt*, Kaczynski said that he thought the EU had already deepened enough. He said that this did not mean that there could not be further deepening in certain areas: he specifically mentioned the creation of an energy security pact or of an intervention force, two things in which Poland would be happy to participate. He said, *"A superstate which takes away national powers for itself and which remains powerless because it has only a symbolic budget – that is an artificial construction. There is no European public opinion, only national public opinions."* He said that he was very opposed to the construction of the trans-Baltic gas pipeline because that would enable Russia to deliver gas to Germany while threatening Poland. Kaczynski confirmed that Poland wanted to station the new American anti-missile system because, in its relations with Russia, Poland needed to have the US as its partner. [Interview with Gerhard Gnauck, *Die Welt*, 9 March 2006]

Kaczynski's speech to Humboldt University in Berlin, where he outlined his European policy, was severely disrupted by homosexual activists who reproach him for his conservative social views and policies. Even before the President appeared on the podium, two men were stationed there holding black umbrellas, presumably to deflect any eggs or tomatoes than might have been thrown. But they were not needed because instead protesters made their point by banging on the wall after which others rushed in holding banners which said, 'Don't give gay bashers an inch.' The university authorities had no idea what to do. The man who had formally invited the President then called one of the protesters to come to the microphone, which he did, only to shout insults at the President. The audience took this very ill, however: various older Poles and others started their own spontaneous counter-demonstration, booing the protestors. One man shouted that it was a disgrace to treat the President of the great country in this way. Kaczynski watched all this chaos stoically. When he finally started to speak, he was applauded by the audience. The content of the speech was far less radical than people had thought from his newspaper interviews: he said merely that the time had not come for European federalism, for instance. Things quietened down a little until, during the questions, a young man asked him politely whether he was not himself responsible for the protests because he had banned a gay pride march in Warsaw. He replied that he was not anti-gay but that if gay culture were raised to the equivalent level of heterosexual culture then humanity would die out. All hell broke loose at this point: some people applauded, others booed loudly. The session was closed with a pathetic and obscure speech by the chairman, who said that he had not organised the demonstration himself, and that everyone had the right to state his point of view.

Observers praise Belarus poll

While the European Union roundly condemned the presidential election which was held in the former Soviet republic of Belarus on 19 March – as it had done before the poll had even started – the official delegation of observers from the Commonwealth of Independent States has said that the poll met democratic standards. It said that the elections were *"free, open and transparent."* [*Interfax,* 20 March 2006] This positive assessment was echoed by numerous other observers from all parts of the world, whose opinions were posted on the website of the American embassy in Belarus on 19 March. Only the Organisation for Security and Cooperation in Europe and the EU attacked the poll, as it has attacked every other election in the country since 1994.

The mouse that roared

The Flemish Parliament (one of the seven parliamentary bodies in Belgium) has ratified the defunct European Constitution. The vote removes the last obstacle to the ratification of the Constitution by Belgium as a whole. Flemish deputies voted by 84 in favour to 29 against (with one abstention). Following this formality, Belgium is expected to become the fourteenth EU Member State that has ratified the European Constitution. British MEP, Andrew Duff, has said that this will put the Belgian government in a strong position for the re-negotiation the European Constitution *"something which will undoubtedly happen after a period of reflection."* [*Le Monde*, 8 February 2006] Duff's remarks, and the Flemish Parliament's vote, shows that federalists have not abandoned their goal of seeing the document ratified. This is indeed the conviction of those who are campaigning against the Euro Constitution. Jens-Peter Bonde, the anti-federalist Danish MEP, has drawn attention to the fact that Finland intends to ratify the text before it takes over the presidency on 1 July. Bonde fears that France may try to ratify the Constitution in bits, for instance submitting only short sections of the text to a referendum while ratifying the rest in the French Parliament. [www.euabc.com]

New EU states don't want euro

The governing party in Poland has said that it does not think there is any point adopting the euro. *"We don't see any benefits in adopting the euro,"* said Jaroslaw Kaczysnki, leader of the governing Law and Justice Party and brother of the President, Lech Kaczynski. *"Euro adoption would lead to lower exports, lower national income and higher unemployment."* People in other new Member States agree: László Halpern, an economist at the Hungarian academy of sciences in Budapest, has said, *"To think of the euro as a driving force for any reform is a thought that has proved to be rather naïve."* Some of the smaller new Member States (especially Slovenia, Malta and Cyprus) seem well on track to adopt the euro. [Carter Dougherty, *International Herald Tribune*, 15 February 2006]

Jobs for the girls

The European Parliament has given the go-ahead for the creation of an EU Gender Institute. The institute is supposed to gather and analyse information on gender-related issues. Slovenia, Slovakia and Lithuania are vying with one another to host the new body. The budget for the new body is •8 million per year. [Lucia Kubosova, *EU Observer*, 14 March 2006.

FACTS

by Svetlana Subbotina

1 Snus lovers join the 'No' crusade

The top item on the agenda of every EU Presidency of the recent past, present and near future – the great project of revitalising EU Constitution – may be in trouble. Again. This time it is Aland, an autonomous Finnish island in the Baltic Sea, that will join the 'No' crusade. The island, which, as it happens, can veto any international treaty that Finland wishes to enter, has grown completely frustrated with Brussels. The community of Swedish-speaking Finns were denied EU membership time and again, they lost their right to fish at sea with traditional nets and now they face a conviction and a fine from the ECJ for using *snus*, their traditional Swedish chewing tobacco. Snus is outlawed everywhere in the EU apart from Sweden, which secured an opt-out. Alund is not allowed to defend its case against the EU regulation in Luxembourg. *A la guerre comme à la guerre*: the Alanders are extremely upset and they could choose to use their right to block any initiative of the Finnish EU Presidency later this year, including its attempt to resurrect the EU Constitution. *"I thought the EU was a good idea, but now I think it sucks"*, says Tomas Gruner, an Alander and snus lover. [*The Daily Telegraph* 15 February 2006]

2 Reshuffle of linguistic preferences in the EU

To the dismay of the *Academie Française*, French seems to be losing popularity amongst the EU citizens. According to a new European Commission study, the number of German speakers increased by 6 per cent, hitting 14 per cent; the rate of French speakers only rose by 3 and is now also 14 per cent. While about two thirds of Europeans think English is the most important foreign language to learn and support for German constitutes 22 per cent, the number of people who want to learn French dropped from 40 to 25 per cent over the past five years. Russian emerged as the fourth most popular language to learn; it is now on 6 per cent, as is Spanish. Non-indigenous languages such as Turkish, Arabic, and Indian dialects are also becoming more popular throughout Europe. The report did not cover Chinese, which the European Commission language policy director Jacques Delmoly predicted would undergo a learning 'boom' within the next few years.

[*EU Observer* 21 February 2006]

3 Cocaine and ecstasy – the drugs of European choice?

The 2005 annual study from the European Monitoring Centre for Drugs and Drug Addiction revealed that drug abuse is increasing across the EU. Cannabis use is on the rise with more than 62 million Europeans having tried it. 23 per cent of Czechs, 19 per cent of Brits and the French and 17 per cent of Spaniards go for cannabis. Drug-intolerant Sweden and Greece scored the lowest points. On the harder side, cocaine, ecstasy and amphetamines are most popular. Cocaine is used regularly by 1.5 million Europeans, whilst 3 to 3.5 million, or some 9 per cent of all adults in Europe, are likely to have tried it in the last year. Ecstasy ranked second amongst the drugs of choice in several countries and proved especially popular in Britain, Spain, France and the Czech Republic.

[*European Monitoring Centre for Drugs and Drug Abuse Annual Report* 7 March 2006]

4 EU hails Oscars success

French film, *March of the Penguins,* took home the Oscar for Best Documentary Film at the 78th Annual Academy Awards in Hollywood on 5 March. Gallic filmmakers Luc Jacquet and Yves Darondeau received €1.13 million in funding from the EU's MEDIA programme, which supports the distribution of nine out of 10 European films outside their home country. Whilst the Commission hailed the Oscar win as a success for European film, the EU Commissioner for the Information Society and Media, Viviane Reding, cautioned that more EU coordination was needed if European films are to break out of their national markets and successfully compete on the world stage. *"European films succeed not only on their own national cinema markets, but also and increasingly in other European countries and other continents,"* Reding stated. The Commission hopes to double the current MEDIA programme budget to over €1 billion from 2007-13.

[*EU Business* 6 March 2006]

5 New Austrian quotas on higher education

The Austrian government has announced a quota system which will reserve 75 per cent of places in the country's faculties for medicine and dentistry for Austrian students. The number of EU students allowed into its universities will be capped at 20 per cent; 5 per cent will be for non-EU nationals. This action is in spite of a previous ECJ ruling which declared earlier government restrictions illegal. However, Elisabeth Gehrer, Austrian education minister, said the system was compatible with EU law. She claims the system was formulated in contact with the Commission; the ECJ could still reject the new Austrian quotas. This new quota system is in response to the steep rise of EU students (up to 42 per cent in the case of Germans) at Austrian universities. Belgium faces similar problem with French students fleeing the tough admissions criteria at home. In Austria, a backlash to the EU's interference in national law has gained momentum. As Austrian Chancellor Wolfgang Schussel put it, an expansion of European competencies into areas of national law is not welcome. *"Suddenly, judgements emerge on the role of women in the German federal army, or on access of foreign students to Austrian universities – that is clearly national law,"* he stated.

[*Spiegel Online* 17 January 2006]

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The Relentless March

Since the end of the Second World War, the European Union and its predecessors, have, to the detriment of the national sovereignty of its Member States, been mapping out the road to a federalist, politically integrated organisation. Here is a look back at some of the major events that occurred during the month of ***March*** *over the past 60 years.*

1947 Belgium, Luxembourg and the Netherlands agree to establish a customs union.

France and United Kingdom sign Treaty of Dunkirk.

1948 The Western Union (Brussels) Treaty is concluded between France, the UK and the Benelux states to promote collective defence and improve cooperation in the economic, social and cultural fields.

1957 Treaties of Rome establishing the European Economic Community (EEC) and the European Atomic Energy Community (Euratom) signed by Belgium, the Netherlands, Luxembourg, France, Italy, and West Germany.

1958 The session setting up the European Parliamentary Assembly is held in Strasbourg and Robert Schuman is elected President.

1959 The European Court of Justice adopts its procedure regulations.

The European Investment Bank (EIB) grants its first loans.

1962 The Parliamentary Assembly decides to change its name to the European Parliament.

1966 The Commission puts forth its proposal concerning the financing of the Common Agricultural Policy (CAP), independent revenue for the Community and wider powers for the European Parliament to the Council.

1971 The Council adopts the Werner Plan to strengthen coordination of economic policies. The Member States are required to take measures to harmonise their budgetary policies and to reduce the margins of fluctuation between their currencies.

1972 The Council adopts a resolution based on a general conspectus by the Commission of the conditions for achieving the first stage of economic and monetary union.

1973 The Republic of Ireland, Italy and United Kingdom leave the currency 'snake'.

1975 The Council sets up the European Regional Development Fund (ERDF) and a Regional Policy Committee.

Harold Wilson states in the House of Commons that the UK government would recommend the British people to vote 'Yes' in the referendum on the UK's continued membership of the Community.

1977 Portugal applies for EC membership.

1978 *Simmenthal* ruling. The European Court of Justice consolidates the principle of preeminence of Community law.

1979 The European Monetary System comes into operation.

1984 The Council signs an agreement on future relations between Greenland and the Community.

A European Council held in Brussels fails to agree on the calculation and the amount of compensation to be granted to the United Kingdom to reduce its contribution to the Community budget.

1992 Finland applies for EU membership.

1994 In preparation for the enlargement, a compromise decision on rules for qualified majority voting is adopted at an informal meeting of Foreign Ministers in Loannina.

Accession terms for Austria, Finland, Sweden and Norway are agreed.

1995 The Stability Pact for Central and Eastern Europe is signed and adopted.

Schengen Accord implemented by seven EU member states: Germany, France, Belgium, Luxembourg, the Netherlands, Spain and Portugal

1996 The Intergovernmental Conference organised to revise the Maastricht Treaty opens in Turin.

1998 Accession negotiations formally opened between the EU and Hungary, Poland, the Czech Republic, Slovenia, Estonia and Cyprus following a European Conference in London.

The Commission adopts the convergence report and recommends that 11 Member States adopt the euro on 1 January 1999.

1999 The Santer Commission resigns *en masse* following the publication of a highly critical report by the Committee of Independent Experts, which exposed allegations of fraud, mismanagement and nepotism in the Commission.

Agenda 2000 measures are agreed by the Heads of Government. It is decided that the CAP and Structural Fund are to be reformed and former Italian Prime Minister Romano Prodi will succeed Jacques Santer as Commission President.

2002 Galileo, Europe's satellite navigation and positioning system, is launched.

The dual circulation period ends and the euro becomes the sole legal tender in the twelve participating Member States as of the 1st.

2003 The European Parliament gives the green light for the accession of Cyprus, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovak and Slovenia.

2004 Referenda are held in Malta and Slovenia on joining the European Union.

EU and NATO sign the Security Pact in Athens.

2005 The first European Day for the Victims of Terrorism is held on the 11th, marking the one-year anniversary of the Madrid bombings.

BOOK REVIEWS

The Bumper Book of Government Waste

By **Matthew Elliott** and **Lee Rotherham**,
Harriman House, 2006, 340 pp., ISBN 1 89759779 7 £9.99

Reviewed by John Massey

Slightly belying the titular epithet 'Bumper', this is a pocket-sized catalogue of waste and over-spending in the public sector. The authors have done well to restrain themselves; such a subject could easily have filled a multi-volume encyclopaedia, complemented by a weekly loose-leaf updater service.

Just open your newspaper and pick a page: penny-to-a-pound that your eye will be drawn towards some report or other of gross fiscal mismanagement. On the day of the writing of this review, we have Gordon Brown proposing to bribe menacing teenagers with 'sports vouchers' in order to discourage feral behaviour; we have yet another 'pensions credit' scandal (Brown again – just how *does* he maintain this veneer of credibility in the teeth of all the evidence to the contrary?); and we have, perhaps least surprisingly of all, the abject and expensive failure of a public scheme for the eradication of 'child poverty'.

To many, such stories will inspire confusion, even despair, punctuated by brief, but impotent, rage. There is, however, a self-preservative tendency which causes us to jettison the newspaper, squash our instinctive responses, and go out to earn the salaries which permit our betters to indulge in such largesse.

With deftness and diligence, Matthew Elliott (joint founder of the Taxpayers' Alliance) and Lee Rotherham (who needs no introduction to readers of this *Journal*), have broken this barrier of instilled apathy and have condensed nine years' worth of public extravagance and incompetence into two hundred pages of tragi-comedy.

Do you fancy a chuckle? The Department of Culture, Media and Sport is always good for laugh – well, until we get the bill for the Olympics, that is. (Apologies are due to London council tax payers who are, in fact, already forking out for the privilege of financing Kaiser Ken's glorified playpen.) Then turn to page thirty-four and learn of the £77,000, which went towards sending a group of conceptual artists to the North Pole ('best place for 'em', I bet you are thinking).

Do you feel like a scream? Well, health is about as serious as it gets for most of us. Turn to page forty-six and learn of the £40,000 disbursed in order to agree a 'Patient Experience Definition'. Are you screaming yet? *"Apologies for the lack of anaesthetic, ladies and gentlemen, but we've blown our budget on hiring consultants of the management species."*

Much of this book consists of similar findings, but these are best taken in small doses. (The Chapter on the EU will shock even those readers who thought that they had heard it all and that it could get no worse.) The Foreword, written by Luke Johnson, Chairman of Channel 4 Television, supports the view that this book will either make you *"laugh or weep"*. But the book's catalogue of the dismal public mismanagement of your money is only half the story. Whether the reader smirks or sobs, there is a job to be done in acting upon the sheer horror contained in this deceptively light-hearted book and, as Johnson observes, it serves well as both a primer and a wake-up call.

Economic dunderheads such as I have long suspected that lower taxation *rates* probably engender a greater tax *take* because of associated increases in productivity, but we get flustered when called upon to support this view. Well, here, on page one hundred and sixty-nine, is that very support: the Laffer curve. Thank you. I can now fight my corner.

Yet another simple but horrifying piece of dinner party ammunition is provided on page one hundred and eighty. Tax Freedom Day is identified as the first day in the year on which the money that we earn actually enters our own bank accounts rather than being siphoned off to HM Treasury. In 1995 Tax Freedom Day fell on 26 May (bad enough, you might well feel); in 2008, it will fall on 7 June. In other words, every year, on average, the state's appetite for money devours nearly one more of your and my working days to feed its addiction to spending. Even the shopoholic teenage princesses of the swankier parts of London would be hard pushed to sweet-talk their doting fathers into tolerating such a remorseless annual increment.

And yet, there is a prevailing difficulty with any polemic which seeks to rely on statistics. In our political world, statistics are the 'phoney war' which politicians indifferently play out before reducing the argument to the fatuous generalities of 'community', 'poverty' and 'stakeholders'. The electorate seems to have become mesmerised by this engrained vapidity and thus regards the bean-counting skills of those in high office as an optional luxury, when, of course, such ability sits four-square at the core of the relationship between the government and the governed.

This is not a problem which this timely and stinging book can address: all the authors can do is scour the sources, which are usually the woefully under-reported records of the Public Accounts Committee, and hope that we choose to act upon their scandalous findings. Can we be bothered?

A week ago, a colossal beam broke free from its casing in the £490 million Scottish Parliament, narrowly, and cruelly, failing to decapitate a cross-section of the over-resourced mediocrities sitting below; two days ago, the £80 million (how alarming that such a sum seems almost cheap in the current climate!) Welsh Assembly building sprung a leak (no puns please – *Ed.*) in heavy rain. If we ourselves cannot be bothered, dare we start to dream that God Himself is starting to do so on our miserable behalves?

John Massey teaches Law at the University of Salford.

To obtain a copy of
The Bumper Book of Government Waste
please see the advertisement
on page 49.

The Schuman Plan

A play by Tim Luscombe

Hampstead Theatre, 2–25 February 2006, Directed by: **Anthony Clark**

Starring: **Sean Baker, Robert Hands, Elizabeth Hurran, Carolyn Pickles, Simon Robson**

Reviewed by John Mehrzad

"People *seem almost to revel in their ignorance when it comes to all things European, and that's something that has always made me very ashamed of being British.*" The *raison d'être* for Tim Luscombe's play is, thus, an attempt to educate the audience about the history and effects of the EU. To this end, *The Schuman Plan* is a success, as it titillates those already knowledgeable about the European Union whilst it informs those less educated about it in a rather entertaining manner.

The leading protagonist, the fictitious Bill Bretheron, is introduced to us as an internationally conscious nine-year old in a narrow-minded Suffolk fishing village. We next see him as a soldier in Amsterdam at the end of the Second World War before embarking on a career as a civil servant in Downing Street and Brussels.

Luscombe intertwines Bill's story with leading historical figures from seven decades. Ted Heath, first introduced as a soldier along side Bill in Holland, is seen as aloof; a liar about the sovereign powers that the UK would cede to the EEC. Clement Attlee, who Bill supposedly advised at one point during his career, is shown to view the EEC as a Catholic conspiracy. Jean Monnet is revealed to be the actual mastermind behind the Plan, which was hijacked by the former French Foreign Minister Robert Schuman. Prophetically, Monnet warns Attlee that Great Britain will always be on the periphery of the club if they do not join up early. The actors humorously mimick the stereotypes of each character.

We also meet some of the Brussels technocrats during our journey with Bill. We learn of the 'irregularities' of the CAP, the ambivalence of functionaries towards the policies they enforce, the well-oiled advantages of their positions and the beautiful surroundings where they work.

The play is not a simple chronological commentary. We are intermittently brought back to Suffolk of 1992. It is no longer the thriving, if insular, village it once was, but instead a depressed town punctuated by the movement of Dutch and Spanish deep-sea trawlers off the coast. The juxtaposition between the political corridors of the EU and the actual communities of Europe is stark. The message of the harsh reality of the project for many individuals across Europe could be no more real.

The final two scenes can only lead to the conclusion that the theories behind integration have not worked in practice. They have, in many instances, detrimentally affected the peoples of Europe, an issue Luscombe highlights through the plight of the Suffolk fishermen. At one point, fisherman Ken burns himself to death in his boat, which is due for EU-sanctioned destruction since he over-fished 300 pounds of cod. Secondly, an aged, present-day Bill is embittered by what he spent his life trying to achieve. The once dedicated, idealistic civil servant turns into a disenchanted cynic. Confronted by a Catholic priest seeking to canonise Schuman, Adenauer and de Gasperi, and trying to insert a reference to Christianity in a re-hashed EU Constitution, Bill finally loses his temper before exiting the stage.

Luscombe was "*absolutely determined that the play should be balanced.*" Critics have been unable to reach a consensus about whether the play is pro- or anti-integration. He has revealed that he was very 'pro-European' when he started writing the play and then became increasingly convinced by the 'anti-European' views that he read as he researched it. *The Great Deception*, by Booker and North, is said to have had a great effect on him. It seems for Luscombe, like for many others, the harsh light of day can be a powerful tool of persuasion.

Luscombe's work is thought provoking and touches on many of the arguments made by both sides of the European debate over the last 60 years. The actors switch characters with ease and conviction and it manages to be engrossing yet at the same time light-hearted. Ultimately, though, the message given is that the European ideal is not what many thought it would be.

John Mehrzad occasionally speaks for Youth for Free Europe, a non-party campaigning group for young people opposed to an EU-state (www.free-europe.org.uk). He is also a barrister of England and Wales.

What other critics have said about *The Schuman Plan*…

The Financial Times

"Ambitious, clever, interesting, even fun…"

The Independent

"(*The Schuman Plan*) is an intelligent and intricate attempt to explore contradictions and shifts in our response to the European ideal."

The Times

"A play about the origins of the European Union hardly sounds the most enticing of prospects… But the playwright, and the director, Anthony Clark, creditably deal with that unpromising subject matter in a drama that repeatedly emphasises the impact that policy decisions have on human lives."

The London Theatre Review

"In scope and ambition, the play is massive – its span resembles the Hollywood film *Traffic* or Richard Bean's *Harvest*. Luscombe tries to convey the paradoxes of European policies: being against the UK in Europe does not mean being anti-European, being pro EU does not necessitate support for endless regulations and directives from Brussels. Luscombe is good at teaching the audience how the UK got where it is today… *The Schuman Plan* inspires thought without being overly didactic, and despite missing a strong human touch, it is an accomplished analysis of British Europhobia."

The Great Deception:
Can the European Union Survive?

By **Christopher Booker** and **Richard North**, Continuum, 2005, 643 pp, ISBN 0 8264 8014 4, £8.99

Reviewed by Dr Lee Rotherham

Mea culpa. Up until this review, I had never read this Booker-North tome (a worthy partnership that by now deserves a pseudonym of Siamese agglomeration: perhaps as a Danish scholar, Christard Borth). How fortunate indeed that an updated copy should wing its way hither and necessitate study.

This version of *The Great Deception* is a six-cylinder turbo upgrade of the book reviewed in these pages back in January 2004. The subtitle spells out the justification: instead of 'The Secret History of the European Union', we have come to 'Can the European Union Survive?'

Of course, as this expands upon rather than replaces the earlier work, the secret history is still there. Usefully, it takes the reader back a good three decades before the foundation of the Coal and Steel Community, to the period of the great clash of ideologies, of which in retrospect pan-Europeanism is but another piece of flotsam. The storytelling is of consistent quality, usefully rebutting a number of the fallacies with which other writers (most notably Hugo Young) failed to grapple, such as the false account of the British walk out at Messina, or the belief that the British government were peripheral to the development of European policy making, whereas they were key movers in intergovernmentalist circles. The chapter explaining why the French veto kept popping up, based on the incredible ponderance and latent dangers involved in the French agricultural workforce, merits particular attention.

Some sections are a little spicy in their implications. Swiss Gnome theorists get short shrift, and here the authors are clearly being a little harsh in order to get their message across. Forget the Nazis as a cul-de-sac; they used Europeanism as a late prop, and it meant pan-Germanism. Forget the Bilderbergers; they are relegated to a chunky footnote. There is only one conspiracy in town, and that lay in the way Monnet and his pals ruthlessly stitched up intergovernmental organisations in order to slide towards a supranational Europe. The duplicity at times is breathtaking, and, yes, the Americans were involved, and Ted might have been a knight but he was also cavalier.

We do spot one or two errors or omissions creeping in, but it would be churlish to tag them because they are irrelevant and extremely rare, like finding a panda in a Cardiff shopping centre. Some of the analysis is quite refreshing, such as the comparison of the US and EU Constitutions when put in the light of their safeguard institutions. Other elements are little troves, such as the attitude of the Liberals to accession when they realised what it meant for their fishing constituency (including, one might add, a certain McLennan who later served as an alternate on the EU Convention). Or the attempt by the Commission to bolster the disintegrating Soviet Union, which the Baltic states hopefully may yet pick up on.

Few people come out of the whole thing well, apart funnily enough from the Dutch, who were even seemingly prepared to veto the CFP but who failed to properly brief their diplomat. The pages covering John Gummer's time in government does make you wonder what on earth he is doing running a policy working group today. This pales into insignificance with the spleen that vents when confronted with page after page of the French stitching everyone up, especially Blair. The final chapter would exist in its own right as an effective essay summarising a half century of folly.

This is indeed a tale of what the authors describe as *"one of the weirdest, most grandiose, most self-deceiving political adventures the world had ever seen."* Does this adventure have a happy ending? Probably not, but the final chapter's not yet in sight.

This is an accessible yet learned composite. I seem to remember once being told that Edward I was considered erudite as he had a personal library of four books. If he were to need to understand the working of the European landscape today, one of them would have to be this one.

Lee Rotherham is a political advisor and consultant.

ABC: A Balanced Constitution for the 21st Century

by **Martin Howe**, QC, Politeia, 2006, ISBN 1 900 525 89 5, 20 pp, £5.00

In the stampede to 'modernise' over the past decade, the government has imposed a number of fundamental changes on the UK's Constitution. Far from improving – or clarifying – matters, these have resulted in confusion, if not a slide to constitutional anarchy. The three pillars on which the UK's liberty has rested have been damaged: the accountability of Parliament to the voters; Parliament's powers to hold the government to account; and the independence of the judges.

How has this happened? In *ABC: A Balanced Constitution for the 21st Century,* Martin Howe, QC, explains that different parts of the UK Constitution have been dismantled. First, Parliament's role has changed in a number of ways. Devolution has led to less democracy both for Scotland and England: Scottish MPs are unable to determine some matters vital to their constituents, but allowed to decide the same questions for England. House of Lords reform has become a euphemism for an upper chamber packed with government favourites, but whose role is undermined. Parliamentary debate has been cut short by the government's using the guillotine, or avoided by the use of much criticised statutory instruments – including those to impose EC directives. The independence of the courts too is under threat as judges have been brought into political decisions. And

The Human Rights Act 1998 has led to a new set of problems, distorting the government's response to terrorism.

What can be done? Howe proposes a series of measures designed to redress the imbalance of power. The problems created by devolution must be addressed, and preparations made for a new system of English votes for English measures. Parliament itself needs strengthening with adequate powers to scrutinise effectively primary and secondary legislation and control statutory instruments. The functions and composition of the House of Lords should also be addressed. Looking to the EU: the powers exercised over the laws of the UK at European level must be subject to UK decision making. As for the courts: while they should be left out of questions of political judgment (which ought to be for elected MPs), Howe suggests the appointment of judges should be reassessed. Can there be a judiciary "*which takes decisions with political content unless … judges [are appointed] on a political basis*"? As Howe concludes:

"*A lasting constitutional settlement is needed to reverse 'the vulnerability of our constitution to partisan manipulation' and to overcome the 'weaknesses of relying on gentlemanly respect for conventions … where … relics of the past are regarded with contempt rather than respect.*"

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ABC: A Balanced Constitution for the 21st Century
by Martin Howe, QC

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LETTERS TO THE EDITOR

From Rev. John Papworth

Dear Madam,

You do a valuable service in publishing a review of Lindsay Jenkins' book, *The EU and the Death of Local Government* (January), not least because of the extent to which the restoration of genuine local government power is a vital aspect of opposing the EU.

The enormous growth of central government and the steady substitution of local administration for local decision-making has helped to create the current culture of passivity and non-involvement in local affairs which is helping to promote the power of the EU by leaps and bounds.

Our elected MPs and our government ministers are daily involved in a wide range of questions concerning schools, hospitals and social policy which are properly the concerns of our local councils. Meanwhile the matters that ought to concern the government, such as the steady erosion of our national sovereignty and key matters of foreign policy, are ill-attended as MPs and ministers are reduced to functioning as local welfare officers rather than guardians of the national interest.

With respect,
John Papworth
Editor, *Fourth World Review*

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to Ms Rainwater
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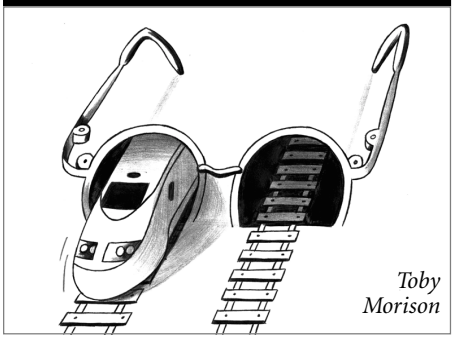
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CHUNNEL VISION



Toby Morison

Laws for Laws

by Dr Lee Rotherham

Regulation. That's what Brussels is all about. But who really understands the principles? Is it possible that, like economics, or thermodynamics, or soup making, basic laws and consequences apply? Do undercurrents and glacial flows affect the tides of lawmaking?

Perhaps. In my bid for world acclaim, I am delighted to announce – after extensive research and many, many cups of contemplation-inducing tea – my answer to what is after all one of humanity's leading unanswered questions: just what is going on in the mindset of the Pericleses and Lycurguses of the EU?

The next step is to make some form of motorised working model out of squidgy bottles and drinking straws. But for the moment behold, here revealed for the first time, *Rotherham's Laws of EU Regulation and Institutional Mechanics*. They're clearly worth shortlisting for a Nobel gong in Sweden. After all, they gave one to John Nash for just one theorem, and he was as mad as a bag of Mexican jumping beans.

Applied Chaos Theory in Legislation

Law is drafted by legislators unaware of the ultimate consequences of their actions. As EU law is interpreted by the European courts, any MEP or bureaucrat cannot foresee the final application of their words, particularly in terms of interpreting specified human rights. Thus any text meant to help grannies in care homes inevitably morphs into a right for traffic wardens to wear lilac leotards.

Bilderberg Theorem

Some EU integration is the result of a concerted effort by federalists who occasionally talk to one another.

Codicil of Somnambulance

National governments are unaware of the final potential of EU legislation until they are told them by Eurosceptic campaigners. They do not, however, believe it until it is printed in a newspaper.

The Dan Hannan Caveat

Even when a government knows something is an awful piece of legislation, it will keep denying it until the effects of the legislation kick in. At this point, the government will blame everyone else for not complaining at the time.

The Gordon Brown Rider

Any government will willingly sign up to a bad piece of regulation if it can obtain a derogation so that the blame for the law falls on the succeeding government.

Darwin's Legislative Decretum

The Precautionary Principle will ultimately evolve to become so dilute that it will lead to the *ad hominem* protection of an individual.

The Subsidiarity Canon

Reference to the Subsidiarity Principle is sufficient to satisfy it.

The Communautaire Writ

All new national leaders become either jaded or assimilated in Brussels, and typically both.

The Communautaire Writ (Advanced)

Notwithstanding the above, continental political leaders can be (literally) bought off over the short term to support any EU action.

The Communautaire Writ (UK variant)

There are natural and low limits to how *communautaire* a British Prime Minister can be without damaging the national interest. These are typically exceeded before the lesson is learned.

The Poirot Principle

The most controversial elements of EU policy are halfway through a big document, or in French.

The Thin Red Line Prescript

True legislative power rests in the hands of political group staff.

The Whistleblower Response Code

Regardless of the EU institution, there is a set thirteen point route that all EU whistleblowers are channelled down – complaint, interview, obfuscation, wider appeal, suspension, transfer, legal proceedings, discredit, pay stoppage, internal isolation, menace, deprivation of support staff, removal. Their credibility increases with each step.

Monet's Law of Political Fusion

MEPs must push for Europe's ever closer union in order to be noticed, and therefore reselected. The European Parliament is, by consequence, a motor of European integration.

Monnet's Law of Political Inconsequence

Any MEP seeking to make his name by pushing for European integration will nevertheless be lost to history, and mistaken for someone else.

The Chablis Injunction

All good stories will be killed first time round, by the Commission taking the journalist on an expensive lunch.

The Lobbyists Equity Rule

There are so many lobbyists in Brussels that they cancel each other out, unless a giant inflatable is used.

Jack Daniels Alternate Pact Model

Any notional advantage that the EU confers on maintaining European peace could be precisely maintained if all the buildings shut but all the bars remained.

The Marietta Giannakou Syndrome of Perpetual Motion

European integration is advanced by always having a mad Greek woman wanting an extra EU competence. This shifts the middle ground.

The First Rule of Civil Service Interpretation

British civil servants gold-plate all EU legislation that crosses their desk, under the principles set out in the laws of Cyril Northcote-Parkinson.

The Second Rule of Civil Service Interpretation

The British Government uses gold-plating to blame Brussels for its own unpopular legislation, and to claim the credit where it is forced by Majority Vote to implement decisions taken at a Community level.

The Laeken Code

Instructions to repeal *acquis communautaire* are to be ignored, as if orders are coming from a captive head of state.

The Native Quotient

A mathematical formula exists to determine the likelihood of anyone 'going native' in Brussels. It is as follows:

$L = n\sqrt{(t_1/t_2)}$

Where t_1 is Time in Brussels, t_2 is Time Spent Looking at the Effects of Brussels, and n is Number of Pints with Chris Heaton-Harris.

The Capitoline Syndrome

Any bad compromise is a diplomatic triumph.

The Pavlovian Precept

Popular opinion is anathema to European integration, and any reference to it creates an automatic backlash from EU authorities as if in response to the Far Right, since they are deemed synonymous.

The Gadfly Ordinance

As a corollary to the above, anyone mentioning the possibility of withdrawal from the EU is, by definition, an extremist.

The Tea With Mussolini Paradox

Ignoring the Pavlovian Precept (above) leads to the growth of the Far Right, as the only people talking about what the public want politicians to talk about.

The James T. Kirk Edict on Parallel Parties

The voting patterns of UK parties and their MEPs differ. This is the result of Whips made on different planets, unless the Brussels Order of Business becomes public knowledge back home. See also under: cv of author.

The Law of Multipolar Globalism (LMG)

In any international meeting, opinion will be divided between Position A, representing the Common Law tradition, Position B, representing the Roman Law tradition, Position C, representing dictatorships, and Position D, representing French interests. Position D will evolve into Position J once two farmers called Maurice and Hubert halt traffic in the Champs Elysées by parking their tractor in the middle of it.

LMG – The Two Star Variant

French policy will shift the instant that any political leader pulls out a ouija board and invokes de Gaulle.

Lee Rotherham is a political advisor and consultant.

The European Foundation

Mission Statement: The aims and objectives listed below are summed up in The Foundation's overall policy of 'yes to European trade, no to European government'. We believe that greater democracy can only be achieved among the various peoples of Europe by the fundamental renegotiation of the treaties of Maastricht, Amsterdam and Nice. The Foundation does not advocate withdrawal from the European Union, rather its thoroughgoing reform.

Objectives

- To further prosperity and democracy in Europe;
- To renegotiate the treaties of Maastricht, Amsterdam and Nice and prevent the ratification of the European Constitution;
- To reform and scale down the *acquis communautaire;*
- To ensure that future member states get a fair deal from EC/EU membership;
- To halt the continuing arrogation of power by the EC/EU;
- To prevent the UK from adopting the euro;
- To contribute as actively as possible to an informed public debate about the future of Europe;
- To liaise with like-minded organisations all over the world;
- To liaise with organisations affected by EC/EU action and policy.

Activities

- Addresses itself to the general public and to politicians, journalists, academics, students, economists, lawyers, businessmen, trade associations and the City;
- Organises meetings and conferences in the UK and in mainland Europe;
- Publishes newsletters, periodicals and other material and participates in radio and television broadcasts;
- Produces policy papers, pamphlets and briefs;
- Monitors EU developments and the evolution of public opinion and its impact on the political process in the EU.

The Foundation's History: The Great College Street Group was formed in October 1992 in order to oppose the Maastricht Treaty. The Group, consisting of politicians, academics, businessmen, lawyers, and economists, provided comprehensive briefs in the campaign to win the arguments both in Parliament and in the country. The European Foundation was created by Bill Cash after the Maastricht debates. It exists to conduct a vigorous campaign in the UK and across Europe to reform the EC/EU into a community of free-trading, sovereign states. The Foundation continues to establish links with like-minded organisations across Europe and the world.

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